February 14, 2013

# Report of Earning Results (Consolidated) for Fiscal Year Ending December 31, 2012

| | | |
|---|---|---|
| Company : | Trend Micro Incorporated | Tokyo Stock Exchange 1st Section |
| Code : | 4704 | Location : Tokyo |
| URL | http://www.trendmicro.co.jp/ | |

Representative: Title Representative Director and Chief Executive Officer
Name Eva Chen

Contact: Title Representative Director (Chief Operating Officer and Chief Financial Officer)
Name Mahendra Negi
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Expected date of the annual shareholders meeting: March 26, 2013

Expected date of the delivery of dividends: Mar 27, 2013

Expected date of the submission of annual security reports ( "Yuka Shoken Hokokusho" ) : March 28, 2013

## 1. Financial Highlights for FY 2012 (January 1, 2012 through December 31, 2012)

### (1) Consolidated Results of Operations

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY 2012 | 93,839 | (2.6) | 22,407 | (15.0) | 22,661 | (21.0) | 13,447 | (22.5) |
| FY 2011 | 96,392 | 1.1 | 26,364 | 11.0 | 28,690 | 20.4 | 17,341 | 36.3 |

(Note) Comprehensive Income
: 19,986 million yen (19.1%) (16,778 million yen (134.7%) as of December 31, 2011)

| | Net income per share (basic) | Net income per share (diluted) | Return on shareholders' equity | Return on assets | Operating profit on sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| FY 2012 | 102.21 | - | 12.8 | 10.8 | 23.9 |
| FY 2011 | 131.23 | - | 17.5 | 14.1 | 27.4 |

(Note) Equity in earnings of affiliated companies
: 3 million yen (22 million yen as of December 31, 2011)

### (2) Consolidated Financial Position

| | Total assets | Net Assets | Net Assets ratio | Net Assets per share |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2012 | 219,007 | 113,492 | 49.9 | 830.57 |
| December 31, 2011 | 201,765 | 107,362 | 49.9 | 764.64 |

(Note) Equity capital
: 109,270 million yen (100,591 million yen as of December 31, 2011)

### (3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Ending balance of cash and cash equivalents |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| FY 2012 | 31,529 | (45,645) | (11,128) | 50,446 |
| FY 2011 | 26,130 | (2,616) | (13,567) | 71,167 |

## 2. Dividend of Surplus

| | Cash dividends per share | | | | | Aggregate amount of dividends (annual) | Dividends payout ratio (Consolidated) | Dividends on shareholders' equity (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| As of | The first quarter end | The second quarter end | The third quarter end | Annual end | Total | Total | Total | Total |
| December 31, 2011 | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| | - | 0.00 | - | 86.00 | 86.00 | 11,313 | 65.5 | 11.5 |
| December 31, 2012 | - | 0.00 | - | 67.00 | 67.00 | 8,814 | 65.6 | 11.1 |
| Projection for FY 2013 | - | 0.00 | - | - | - | | - | |

(Note) Dividend for 2013 Annual end is not yet projected.

## 3. Forecasts of Consolidated Financial Results for FY 2013

(January 1, 2013 through December 31, 2013)

We do not issue a projection figures on a yearly basis.
For the forecast of the first quarter end of FY 2013, please refer to page 4.

## 4. Others

(1) Movement of significant subsidiary : No

(2) Changes in accounting principles, accounting estimate and restatement

① Changes under the revision of Accounting Standards : Yes
② Changes in accounting principles other than ① : No
③ Changes Accounting estimates : No
④ Restatement : No

(Note) Please take a look at 4. 【CONSOLIDATED FINANCIAL STATEMENTS】(7) (Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements) for the details.

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):
140,293,004 shares as of December 31, 2012
140,293,004 shares as of December 31, 2011

② Number of treasury stocks :
8,732,135 shares as of December 31, 2012
8,738,735 shares as of December 31, 2011

② Average number of share issued :
131,557,952 shares as of December 31, 2012
132,143,319 shares as of December 31, 2011

Results of the non-consolidated operations

1. Financial Highlights for the FY 2012 (January 1, 2012 through December 31, 2012)

(1) Results of operations

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY 2012 | 50,739 | (7.8) | 18,737 | (22.6) | 18,690 | (26.8) | 12,031 | (22.9) |
| FY 2011 | 55,021 | 0.1 | 24,197 | (0.6) | 25,532 | 6.3 | 15,602 | 20.3 |

| | Net income per share (basic) | Net income per share (diluted) |
|---|---|---|
| | Yen | Yen |
| FY 2012 | 91.45 | - |
| FY 2011 | 118.07 | - |

(2) Financial Position

| | Total assets | Net Assets | Net Assets ratio | Net Assets per share |
|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | % | Yen |
| December 31, 2012 | 146,401 | 78,559 | 50.8 | 565.11 |
| December 31, 2011 | 137,377 | 77,979 | 51.9 | 541.67 |

(Note) Equity capital : 74,346 million yen (71,259 million yen as of December 31, 2011)

＊Statement relating to the status of the annual audit procedures

This report is not subject to the annual audit procedures, which are based on the Financial Instruments and Exchange Act. In addition, the audit procedures for annual consolidated accounts did not finish at the point of the announcement of the annual financial results.

＊Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. Therefore, please take into consideration that various factors could cause different results from our original projection. Regarding to the forecast of financial results, please refer to "Qualitative Information on consolidated Results" on page 2.

Forecasts of consolidated financial results for 1st quarter of FY 2013

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| 1st quarter (January 1, 2013 through March 31, 2013) | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| | 24,700 | 9.1 | 5,600 | 0.6 | 5,900 | 1.6 | 3,400 | 3.5 | 25.84 |

※ Notice on forward-looking statements and other specific items

We have decided to announce the earnings on a quarterly basis instead of disclosing it on a yearly basis.

Please take a look at 1.(1) (Qualitative Information on the consolidated Business Results ) for the details.

Attached materials

Index

・Qualitative Information and Financial Statements

1. Qualitative Information on the Consolidated Business Results

1. OPERATING RESULTS ANALYSIS

(1). REVIEW OF CURRENT PERIOD

(Unit: million yen)

| | Net Sales | Operating Income | Ordinary Income | Net income before tax | Net income |
|---|---|---|---|---|---|
| FY2012 | 93,839 | 22,407 | 22,661 | 24,404 | 13,447 |
| FY2011 | 96,392 | 26,364 | 28,690 | 28,623 | 17,341 |
| Rate of Change (%) | △2.6% | △15.0% | △21.0% | △14.7% | △22.5% |

(Unit: million yen)

| | Net Sales | | |
|---|---|---|---|
| | FY2012 | FY2011 | Rate of Change (%) |
| Japan | 45,803 | 46,070 | △0.6% |
| North America Reg. | 18,869 | 20,452 | △7.7% |
| Europe Reg. | 16,396 | 17,147 | △4.4% |
| Asia and Pacific Reg. | 10,676 | 10,329 | 3.4% |
| Latin America Reg. | 2,093 | 2,391 | △12.5% |

During this term of fiscal year 2012, from January 1 to December 31, despite expectation of a mild recovery, the world economy continued to be with fragility. The world economy remains in an unstable situation mainly due to the persistent European financial crisis. Although the US economy has seen a mild upturn, it remains economically uncertain due to financial problems, and so on. In addition, economic growth in emerging countries has been slowing down. The world economy still continues to go through unstable situation.
On the other hand, although Japan economy is still in a severe situation with concerns of world economic situation, particularly in Europe, and the potential impact of the yen's rise, but it's bottoming out to show slow economic recovery to prevent further deterioration of strong yen and export. With a change of regime as a start, Japan economy was expected recovery but its future outlook still remains uncertain.
In the worldwide Information Technology Industry, cloud computing has been still standing out from IT industry market. Worldwide PC shipment shows significant year-over-year decline for the first time in 11 years. It has been triggered by the decline in enterprise IT spending based on sluggish economic conditions and increased competition from smartphones and multi-functional mobile devices such as tablets, etc. Those are becoming more popular than PCs, in the enterprise and consumer market. On the other hand, cloud computing including server virtualization and IT services and mobile device markets expanded both foreign and domestic demands IT service markets in 2012. Those facts are expected to lead to IT spending next future.
In the computer security industry, Advanced Persistent Threat (APT), sophisticated, multi-faceted attacks targeting a particular organization, has fly entire world continuously. APTs have been still big issue for enterprise security. Also, the threats which will target specific country or region with local language demonstrate an upward trend worldwide. In Japan, a malware program created several crimes foretold with a remote control by third parties other than the authorized PC users. This incident gained nationwide attention due to mistaken arrest. On the other hand, smartphones and multi-functional mobile devices such as tablets, etc. increase users exponentially, and following variable apps also enjoy further growth and diversification. Because of these factors in 2012, malware and fake apps targeting Google's Android OS were going around the world. Such a threat trend has a potential to expand targeted attacks for entire

smartphones and multi-functional mobile devices in the days ahead regardless of business or individual. Thus, in enterprise, security for mobile devices and continuous monitoring office network has become more a critical issue to aware indication of attacks acutely.
Under such an environment, our group business conditions are as follows:

In some signs of recovery enterprise IT spending, though APTs solution business for enterprise continued to achieve sustainable growth, entire Japan enterprise sales have been close to same level as FY2011 due to without temporary loyalty revenue in previous year. Consumer sales in Japan have been also close to same level as previous year due to change in the contract details related to ISP business. As the result, the net sales for this period in Japan showed a slight increase in 45,803 million yen (0.6% decrease from the same period in previous year.)
In North America, although the cloud business in this region has shown a growth, traditional business has been weak performed. Moreover, consumer business has been not performed well throughout the whole year due to the rebate for new customer acquisition in early this year. As the result, sales for this period in North America came to 18,869 million yen (7.7% decreases from the same period in previous year).
Although the net sales of EMEA, both enterprise and consumer sales in local currency have shown positive growth, a weak Euro could adversely affect this region sales. As the result, sales for this period in EMEA came to 16,396 million yen (4.4% decrease from the same period in previous year). In this region, the enterprise business unit has been still dominated sales revenue. The future challenge is to expand the consumer business unit, which is still in its early stages of development.
In the Asia and Pacific region, Australia, which had been leading this region sales with mainly consumer business, shows decline in growth. However, China has continued to be good condition again this year. As the result, this region demonstrated the most growth among the 5 sales regions in Japanese yen. The net sales for this period in APAC showed increase in 10,676 million yen (3.4% increase from the same period in previous year).
In Latin America, though Brazil has maintained close to same level as previous year in local currency, Mexico have not performed well. In addition, a super strong yen could adversely affect this region sales. As the result, sales for this period in Latin America showed a double-digit decrease at 2,093 million yen (12.5% decrease from the same period in previous year.)
As a result, the consolidated net sales for entire year 2012 came to 93,839 million yen (2.6% decrease from the same period in previous year) as a decrease.

Cost of sales and operating expenses totaled 71,432 million yen (2.0% increase from the same period in previous year) mainly due to an increase in people cost and stock option related expenses, etc. As a result, consolidated operating income for this period was 22,407 million yen (15.0% decrease from the same period in previous year).
Due to a increase in Foreign exchange loss, the consolidated ordinary income for this period was 22,661 million yen (21.0% decrease from the same period in previous year), and the consolidated net income for this period was 13,447 million yen (22.5% decrease from the same period in previous year) no gain on redemption of marketable securities in previous year and impairment loss, etc.

(2). Projection for the First Quarter of the fiscal year 2013 (from January 1, 2013 to March 31, 2013)
Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2012 as well as earnings projection of the succeeding quarter.
When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

Business forecast for the First Quarter of FY2013 (January 1, 2013 - March 31, 2013)

| | |
|---|---|
| Consolidated net sales | 24,700 million yen |
| Consolidated operating income | 5,600 million yen |

Consolidated ordinary income 5,900 million yen

Consolidated net income 3,400 million yen

In development of the business forecasts the main assumed exchange rates are as follows.

1 US $ 90 yen

1 Euro 120 yen

## 2. FINANCIAL CONDITION ANALYSIS

### CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 54,732 million yen, a decrease of 17,151 million yen from FY 2011 annual closing. In addition, though marketable securities and investment securities, etc. increased substantially. As the result, total assets at the end of this period were 219,007 million yen, 17,242 million yen increase from FY 2011 annual closing.
Total liabilities at the end of this period were 105,515 million yen, 11,112 million yen increase from FY 2011 annual closing. This increase is mainly due to substantial increase of Accrued income and other taxes and deferred revenue.
As a result, total net assets at the end of this period were 113,492 million yen, an increase of 6,129 million yen from FY 2011 annual closing. This increase is mainly due to decrease in stock acquisition rights by stock options buy back. In addition, there are substantial decreases of minus in both Accumulated Other Comprehensive Income Valuation difference on available-for-Sales Securities and Treasury stock and Foreign currency translation adjustments.

### CONDITION OF CASH FLOW

(Unit: million yen)

| | FY 2012 | FY 2011 | Increase (Decrease) |
|---|---|---|---|
| Cash Flows from Operating Activities | 31,529 | 26,130 | 5,399 |
| Cash Flows from Investing Activity | (45,645) | (2,616) | (43,028) |
| Cash Flows from Financing Activity | (11,128) | (13,567) | 2,439 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 4,522 | (2,914) | 7,436 |
| Net increase (Decrease) in Cash and Cash Equivalents | (20,721) | 7,031 | (27,753) |
| Cash and Cash Equivalents at beginning of period | 71,167 | 64,136 | 7,031 |
| Cash and Cash Equivalents at end of period | 50,446 | 71,167 | (20,721) |

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 31,529 million yen increased by 5,399 million yen compared with the previous period. This increase of inflow was mainly due to the decrease of payment of income tax.

Cash flows from investing activity were cash outflow of 45,645 million yen, increased by 43,028 million yen compared with the previous period. This increase of outflow was mainly due to large invstments in markaetable securities and security investment.

Cash flows from financing activity were cash outflow of 11,128 million yen decreased by 2,439 million yen compared with the previous period. This decrease of outflow was mainly due to cash payment for market purchase of treasury stock in the previous fiscal year.

Taking these cash flows and the effect of exchange rate change on cash and cash equivalents into account, cash and cash equivalents at the end of this period was 50,446 million yen, decreased by 20,721 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 |
|---|---|---|---|---|---|
| Shareholder’ s equity Ratio (%) | 53.2 | 50.3 | 47.4 | 49.9 | 49.9 |
| Capital Adequacy Ratio on Market Value Basis | 230.9 | 231.1 | 173.7 | 150.0 | 155.8 |
| Debt Redemption Period (years) | – | – | – | – | – |
| Interest Coverage Ratio | 9,236.6 | 12,367.2 | 8,424.1 | 13,846.0 | 7,300.7 |

(Note)

Shareholder’ s Equity Ratio : (Total shareholder’ s Equity)/(Total Assets)

Capital Adequacy Ratio on Market Value Basis : (Total Market Value of Shares)/(Total Assets)

Debt Redemption Period : (Interest-bearing Debt)/(Operating Cash Flow)

Interest Coverage Ratio : (Operating Cash Flow)/(Interest Payment)

*All indexes are calculated from the financial statement amounts on a consolidated basis.
* “Total Market Value of Shares” is calculated as follows; “closing share price at the term end” multiplies by “number of shares issued at the term end “(net of treasury shares).
* “Operating Cash Flow” is “Net cash flows from operating activities” in the consolidated statement of cash flows.
“Interest-bearing Debt” is all debts with interest payments among the debts reported in the consolidated balance sheet.
“Interest Payment” is the amount of payment for interest expense in the consolidated statement of cash flows.

## 3. BASIC POLICY OF PROFIT SHARING

We intend to continue to return profits to shareholders based on the net profit on a consolidated basis while striving to enhance financial strength and secure internal reserve in order to deal with significantly changing business environment and maintain competitive edge against competitors. As our basic policy on dividend, we plan to pay a year-end dividend on the basis of a inaccordance with dividend ratio of 65%.
Accordingly a year-end dividend on the basis of a dividend ratio of 65.6% of net income of 13,447 million yen in FY2012, we have planned to pay total dividends of 8,814 million yen, which is 67 yen per share in this term.
We also plan to pay dividend in next term based on our above mentioned basic policy on dividend.

## 4. RISK FACTORS

The occurrence of any of the following risks could affect the Trend Micro group's business, financial condition, and operating results. If this should happen, the trading price of shares of Trend Micro Incorporated, Trend Micro group's parent company, could decline and its investors/shareholders could lose all or part of their investment. Other risks and uncertainties unknown to us, the Trend Micro group, or that we, the Trend Micro Group, think are immaterial may also impair our business.

MAJOR SOFTWARE AND HARDWARE VENDORS MAY INCORPORATE ANTIVIRUS PROTECTION IN THEIR PRODUCT OFFERINGS, WHICH COULD RENDER OUR PRODUCTS AND SERVICES OBSOLETE OR UNMARKETABLE.

There is a possibility of facing significant changes in the competitive environment, if major vendors of operating system software and other software such as firewall, e-mail software or computer hardware, decide to enhance or bundle their products to include antivirus and other computer security functions. These companies may offer antivirus protection as a standard feature in their products, at minimal or no additional cost to customers, which could render our wide range of products and services obsolete or unmarketable, particularly if antivirus products offered by these vendors were comparable or superior to our wide range of products and services.

In addition, even if these vendors' antivirus products offered fewer functions than our wide range of products and services, or were less effective in detecting and cleaning virus-infected files, customers could still choose them over our wide range of products and services due to lower cost or for any other reasons.
Microsoft Corp., a major operating system vendor, has acquired several security vendors. If antivirus and other computer security functions were to be included in its operating system products by Microsoft Corp., this could have a material adverse effect on our business, financial condition and results of operations.

AS WE GENERATE SUBSTANTIALLY ALL OF OUR SALES FROM A SINGLE SCOPE OF BUSINESS, WE ARE VULNERABLE TO DECREASED DEMAND FOR SUCH PRODUCTS AND SERVICES.

Our main businesses focuses are our net sales from licensing and selling antivirus and other security products and services. Although we have begun to offer more comprehensive network and internet security and management software and services, we expect antivirus and other security products and services to continue to account for the largest portion of our net sales in the foreseeable future. If the demand for, or the prices of, antivirus and other security products and services drop as a result of competition, technological changes or other factors such as lower growth or a contraction in the worldwide computer security market, this could have a material adverse effect on our business, financial condition and results of operations.

OUR WIDE RANGE OF PRODUCTS AND SERVICES MAY BECOME OBSOLETE BECAUSE RAPID TECHNOLOGICAL CHANGES REGULARLY OCCUR IN THE COMPUTER SECURITY MARKET.

The computer security market is characterized by:

· rapid technological change;
· proliferation of new and changing computer viruses, malware programs, and threats over the internet;
· frequent product and services introductions and updates; and
· changing customer needs.

These characteristics of our market create significant risks and uncertainties for our business success. For example, our competitors might introduce computer security products and services that are technologically superior to our wide range of products and services. Additionally, new software operating systems, network systems or new antivirus measurements or technologies could emerge. Emerging trends in these systems and standards currently include applications distributed over the Internet and the use of a web browser to access client-server systems. Our existing products and services might be incompatible with some or all of such standards. Our business, financial condition and results of operations could materially suffer unless we are able to respond quickly and effectively to these developments.

OUR HARDWARE-BASED PRODUCTS FACE MANUFACTURING AND INVENTORY RISKS.

We rely on a small number of third parties to manufacture some of our hardware-based products. We expect our reliance on third-party manufacturers to become more important as the number of our hardware-based products increases. Reliance on third-party manufacturers involves a number of risks, including a lack of control over the manufacturing process and the potential absence or unavailability of adequate capacity. If any of our third-party manufacturers cannot or will not manufacture our products in required quantities in compliance with environmental and other regulations in the markets we serve, on a cost-effective basis, in a timely manner, or at all, we will have to secure additional manufacturing capacity. The unexpected loss of any of our manufacturers could disrupt our business. Furthermore, our hardware-based products contain critical components supplied by a single or a limited number of third parties. Any significant shortage of components or the failure of the third-party supplier to maintain or enhance these products could lead to cancellation of customer orders or delays in the placement of orders and adversely affect our financial condition and results of operation.

WE MAY NOT GENERATE EXPECTED RESULTS WITH STRATEGIC ALLIANCES.

We are mainly focusing our business in the field of computer security business based on antivirus software. Therefore, we actively pursue strategic alliances with other companies that allow us to provide customers with integrated or other new products and services derived from the alliances. To launch and provide such products and services, we may invest substantial cash and other resources in product development, marketing promotions and support and maintenance activities. But we may not earn revenue successfully from alliances despite our efforts, and such alliance may be terminated or dissolved due to various causes before generating revenue.

## MARKET SHARE OF MAJOR SOFTWARE AND HARDWARE VENDORS MAY PROVIDE COMPUTER SECURITY FUNCTIONS FOR FREE COULD GROW.

The computer security industry which our group belongs to, has grown increasingly competitive. Our existing competitors and other major vendors in the software and hardware industry etc. may start to offer antivirus and other computer security functions for free or at very low prices. Those antivirus and other computer security functions could be added into a single product, or bundled with their existing products. These companies may offer antivirus protection as a standard feature in their products, at minimal or no additional cost to customers. This could render our wide range of products and services to become obsolete or unmarketable, particularly if antivirus products offered by these vendors were comparable or superior to our wide range of products and services. In addition, even if these vendors' antivirus products offered fewer functions or were less effective in detecting and cleaning virus-infected files than our products and services, customers could still choose these venders due to the lower cost.
In such a situation, our group's business competitiveness could be inevitably weak, and it also has an adverse effect on our business, financial condition, and results of operations.

## THE POSSIBILITY OF DECRESED SALES AND MARKET SHARE IN OUR CORE JAPANESE MARKET IF OUR COMPETITORS ACHIEVE SUCCESS IN JAPAN.

Our major competitors, McAfee, Inc. and Symantec Corporation, are active in the Japanese antivirus software market and have allocated significant resources to achieve success in the Japanese computer security market. Additionally, competition in our core Japanese market could intensify in the future if other competitors emerge. As a result of our competitors' efforts, we may not be able to maintain our current leading market position in Japan in the future. Also, in order to respond effectively to increased competition, we may be required to devote more of our product development, marketing and other resources to the Japanese market, which could limit our ability to grow in other markets. A material loss of sales and market share in Japan as a result of our competitors' success could have a material adverse effect on our business, financial condition and results of operations.

## AS WE MAY ACQUIRE COMPANIES TO GROW OUR BUSINESS, FUTURE ACQUISITIONS MAY REDUCE OUR EARNINGS AND RESULT IN INCREASED COSTS IN OUR BUSINESS OPERATIONS.

In a rapidly changing industry, we occasionally review acquisition opportunities. Accordingly, we may seek to expand our business through acquisitions. Unlike some of our major competitors, we have limited experience in acquiring existing businesses. Future acquisitions could result in numerous risks and uncertainties, including:
·our inability to retain customers, suppliers and other important business relationships of an acquired business;
·difficulties in integrating an acquired company into Trend Micro, including the acquired company's operations, personnel, products and information systems;
·diversion of our management's attention from other business concerns; and
·adverse effects on our results of operations arising from acquisition-related charges, impairment of goodwill and purchased technology and possible recognition of impairment charge.
If we make such an acquisition using our stock, our current shareholders' ownership interests will be diluted. Any of these factors could materially hurt our business, financial condition and results of operations.

## IF HACKERS / CRACKERS GAIN UNAUTHORIZED ACCESS TO OUR SYSTEMS, WE COULD SUFFER DISRUPTIONS IN OUR BUSINESS AND LONG-TERM DAMAGE TO OUR REPUTATION.

Our reputation may be more susceptible to problems than other software companies caused by hackers / crackers trying to break into or attack our networks, steal secrets, and deface our site. As a computer security company that delivers virus protection and other security products and services over the Internet, hackers / crackers specifically target us in order to cause us to transmit computer viruses and malware programs, loss or theft of technical information including the source codes etc., or vital information of customers or employees, and our groups' website defacement over the internet. If these incidents occur, our group's business could suffer. We could also incur costs to fix technical problems or fix problems created by hackers gaining access to our proprietary information. In addition, we could suffer substantial disruptions in our business and damage to our reputation which could result in a significant loss of customers and other important business relationships until recovery of confidence.

WE FACE INFORMATION SECURITY RISKS RELATED TO INSIDERS / OFFICIALS IN OUR GROUP.
Our group has made contracts with most of subcontractors and employees with the purpose of preservation of confidentiality. In the case of loss or theft of technical or private information despite taking legislative actions, we could suffer substantial disruptions in our business and damage our reputation. This could result in a significant loss of our customers and other important business relationships. We could also incur costs to fix technical problems etc. and any of these factors could materially hurt our business, financial condition and results of operations.

WE FACE NEW RISKS RELATED TO OUR ANTI-VIRUS AND OTHER SECURITY PRODUCTS AND SERVICES.
A broad range of our security products may falsely identify emails, URLs, or programs as unwanted spam, malicious web sites, and potentially dangerous programs. Our group's security products and services may also fail to properly identify and prevent unwanted emails, URLs, programs, malicious websites, or spyware that are often designed to circumvent anti-virus, anti-spam, web filtering, or spyware products. Parties whose emails, URLs, or programs are blocked by these our security products and services may seek redress against us for labeling them as "spammers," "malicious websites," spyware, or for interfering with their business. In addition, false identification of emails, URLs, or programs as unwanted "spam," "malicious web sites" or "potentially unwanted programs" may reduce the adoption of these products.
Also, there is a possibility of our online file storage service abuse including illegal sharing and using inappropriate files etc. This could significantly discredit us, and negatively affect our operational results if we are required to pay significant amounts of penalty payments pursuant to copyright or the author's fee etc. In such a case, it would adversely impact our operating results and financial condition.
In addition, should we fail to properly test these products, solutions, or protection files and distribute a defective file, these could cause damage to customers. In such a case, it would adversely impact our operating results and financial condition.

WE MUST EFFECTIVELY MANAGE OUR BUSINESS GROWTH.
Our business field has been expanding. This expansion has placed, and any future business expansion or growth would continue to place, a significant strain on our limited personnel, management and other resources. Our ability to manage any future expansion or growth in our business will require us to:
· attract, train, retain, motivate and manage new employees successfully;
· effectively integrate new employees into our operations; and
· continue to improve our operational, financial, management and information systems and controls.
If we continue to expand or grow, our group's management systems in place may be inadequate or we may not be able to effectively manage our growth. In particular, we may be unable to:
· provide effective customer service;
· develop and deliver products in a timely manner;
· implement effective financial reporting and control systems; and
· exploit new market opportunities and effectively respond to competitive pressures.

WE SELL OUR PRODUCTS AND SERVICES THROUGH INTERMEDIARIES WHO MAY NOT VIGOROUSLY MARKET OUR PRODUCTS AND SERVICES, OR MAY RETURN OUR PRODUCTS AND SERVICES.
We market substantially all of our products and services to end users through intermediaries, including distributors, resellers and value-added resellers. Our distributors sell other products that are complementary to, or compete with, our products and services. While we encourage our distributors to focus on our wide range of products and services, these distributors may give greater priority to products of other suppliers, including competitors'. They may also return the products to us under certain circumstances.

### WEAK FINANCIAL CONDITIONS OF SOME OF OUR DISTRIBUTORS MAY ADVERSELY AFFECT OUR OPERATING RESULTS.

Some of our distributors are experiencing financial difficulties worldwide, which may adversely impact our collection of accounts receivable. We regularly review the collectability and creditworthiness of our distributors to determine an appropriate allowance for doubtful receivables. Our uncollectible accounts could exceed our current or future allowance for doubtful receivables, which would be adversely significant impact our operating results.

### OUR CUSTOMERS MAY CANCEL OR DELAY THEIR PURCHASES OF OUR WIDE RANGE OF PRODUCTS AND SERVICES, WHICH COULD ADVERSELY AFFECT OUR BUSINESS.

Our wide range of products and services may be considered to be capital purchases by certain enterprise customers. Capital purchases are often uncertain and, therefore, are canceled or delayed if the customer experiences a downturn in its business prospects or as a result of unfavorable economic conditions. Any cancellation or delay could adversely affect our results of operations.

### OUR RESULTS OF OPERATIONS MAY SUFFER IF WE ARE REQUIRED TO PAY PENALTY PAYMENTS PURSUANT TO THE TERMS OF OUR SERVICE LEVEL AGREEMENTS.

We guarantee a certain quality of product support to our customers through our service level agreements. Pursuant to the terms of these agreements, under some circumstances, we are required to make penalty payments to our customers. For example, if we fail to provide our customers a virus pattern file within two hours of our receipt of a virus from the customer, the terms of the agreement require us to make a penalty payment to the dissatisfied customer which may amount up to 20% of the initial sale price. According to the circumstances, if we fail to comply with this agreement, there is a possibility that we are required to pay penalty payments to our customers and adversely affect our results of operations and financial condition.

### WE RELY HEAVILY ON OUR MANAGEMENT AND TECHNICAL PERSONNEL, WHO MAY NOT REMAIN WITH US IN THE FUTURE.

We rely, and will continue to rely, on a number of key technical and management employees, including our Chief Executive Officer, Eva Yi-Fen Chen. While we require our employees to sign employment agreements, our employees are generally not otherwise subject to non-competition covenants. If any of our key employees leave, our business, results of operations and financial condition could suffer.

### THE MOBILITY OF HUMAN RESOURCES AND FLUCTUATIONS IN THE LABOR MARKET COULD ADVERSELY AFFECT OUR BUSINESS.

The computer security industry which our group belongs to, has grown increasingly competitive. In this competitive environment, recruiting top-class human resources has been the most important challenges to support innovative technology for all the companies.

Today, the majority of Trend Micro staff is based in Asia, as well as in the emerging countries. Due to this region's rising inflation and costs of living, salaries will also have to increase. Any increase in costs caused by the above could cause our group' s business, results of operations and financial condition could suffer. Also the talent war with competitors could adversely affect to our group's labor cost. Moreover, unexpected high turnover and recruitment which does not work out as planned, may hurt our group's business performance.

If any of cost increase caused by those above, our group' s business, results of operations and financial condition could suffer.

### THE LOSS OF HUMAN RESOURCES INCLUDING MAJOR TECHNICAL SPECIALIST PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS.

The computer security industry which our group belongs to, has grown increasingly competitive. In this competitive atmosphere, there is a possibility of human resources flow including major technical specialist personnel. Our group has made contracts with all employees for the purpose of preservation of confidentiality and obligation not to compete. Despite taking such legislative actions, we could suffer substantial disruptions in our business to our reputation due to outflow of technical and strategic vital information, and other companies developing similar technology with ours. In addition, our group's business, operations and financial condition could suffer as a result of the above.

FLUCTUATIONS IN OUR QUARTERLY FINANCIAL RESULTS COULD CAUSE THE MARKET PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, FOR ITS SHARES TO BE VOLATILE.

We believe that our quarterly financial results may fluctuate in ways that do not reflect the long-term trend of our future financial performance. It is likely that in some future quarterly periods, our operating results may be below the expectations of public market analysts and investors. In this event, the share price of Trend Micro Incorporated, Trend Micro group's parent company, could fall.

Factors which could cause our quarterly financial results to fluctuate include:

- timing of sales of our products and services to customers' budgetary constraints, seasonal buying patterns and our promotional activities;
- new product introductions by our competitors;
- significant marketing campaigns, research and development efforts, employee hiring, and other capital expenditures by us to drive the growth of our business;
- changes in customer needs for antivirus and other computer securities; and
- changes in economic conditions in our major markets.

FOREIGN EXCHANGE FLUCTUATIONS COULD LOWER OUR RESULTS OF OPERATIONS BECAUSE WE EARN REVENUES DENOMINATED IN SEVERAL DIFFERENT CURRENCIES.

Our reporting currency is the Japanese yen and the functional currency of each of our subsidiaries is the currency of the country in which the subsidiary is domiciled. However, a significant portion of our revenues and operating expenses is denominated in currencies other than the Japanese yen, primarily the US dollar, Euro and the New Taiwan dollar. As a result, appreciation or depreciation in the value of other currencies as compared to the Japanese yen could result in material transaction or translation gains or losses which could reduce our operating results. These negative effects from currency fluctuations could become more significant if we are successful in increasing our sales in markets outside of Japan.

Also, we have a portion of marketable securities for fund management. Those values will be affected by the ups and downs of exchange rate denominated in foreign currencies and significant currency fluctuations could hurt our corporate earnings significantly.

We do not currently engage in currency hedging activities.

FINANCIAL MARKET FLUCTUATIONS COULD LOWER OUR RESULTS OF OPERATIONS.

We have marketable securities and security investments for efficient fund management. Those values of the capital holdings will be affected by fluctuations in the financial market and exchange rates. In the future, if financial market fluctuates widely, this could have a material adverse effect on our financial condition and results of operations proportionate devaluation loss on investment in securities.

INFRINGEMENT OF OUR INTELLECTUAL PROPERTY COULD HURT OUR BUSINESS.

Our success depends on the development of proprietary software technology. We rely on a combination of contractual rights and patent, copyright, trademark and trade secret laws to establish and protect proprietary rights in our software. If we are unable to establish and protect these rights, our competitors may be able to use our intellectual property to compete against us. This could limit our growth and hurt our business. It is possible that no additional patents will be issued to us or any of our subsidiaries. In addition, our issued patents may not prevent other companies from competing with us. On the other hand, there is the possibility of the suspension of our products and services sales, compensation, and royalty payment of licensee because of our patent infringement upon another company. Additionally, there is also a possibility that a case brought against a service invention and suit filed by employee. In the case of losing such a lawsuit, payment to compensate the employee may be incurred.

PRODUCT AND SERVICE LIABILITY CLAIMS ASSERTED AGAINST OUR GROUP IN THE FUTURE COULD HURT OUR BUSINESS.

Our group' s products and services are designed to protect customers' network systems and personal computers from damage caused by computer viruses, web threats and data stealing malware. As a result, if a customer suffers damage from any of these threats or if the actual functions of our group's products and services differ from the stated, the customers may return those products and also demanded refunds for services and the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Also, if our online file storage service users suffer loss of data and information etc., caused by system troubles etc., the customer could sue our group on product liability or related grounds, claim damages for data loss or make other claims. Additionally, as threats are constantly evolving, purchasers of our software products must regularly update the software they have purchased from us with signature protection files that we make available for download from our website. Should we fail to properly test these protection files and distribute a defective file, these files could cause damage to the personal computers of our customers who have downloaded a defective file. In addition, our hardware products as a defective appliance could cause damage to human lives, health, and the personal property of our customers who have used a defective appliance. As a result, if a customer suffers damage from our products, the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Our license agreements typically contain provisions, such as disclaimers of warranty and limitations of liability, which seek to limit our exposure to certain types of product liability claims. However, in some jurisdictions these provisions may not be enforceable on statutory, public policy or other grounds. In the case of losing such a law suit, there is a possibility that the case filed by our service and product users for damages and recovery of pain and suffering damages could have a material adverse effect on our business.

THE POSSIBILITY OF PRODUCT RECALL.

Although we have a proper test and inspection performed before our virus protection files and products are shipped, our virus protection files could distribute a defective files and cause damage to the personal computers of our customers who have downloaded a defective file. In addition, our hardware products as a defective appliance could cause damage to human lives, health, and the personal property of our customers who have used a defective appliance. As a result, we could order a recall of products at the discretion of company. In such a case, this could have a material adverse effect on our financial condition and results of operations.

OUR BUSINESS FACES THE RISK OF EFFECT FROM VIOLATION OR AMENDMENT OF THE LAW AND THE LEGAL ACT.

All our business would be under various laws and regulations in each country and each region. If we would fail to comply with those laws and regulations, it would provide more severe administrative guidance and penal regulations. If officers and employees who are in our group violates the constitution or other laws or regulations, our group' s business could suffer substantial disruptions in our business and to our reputation which could result in a loss of customers and other important business relationships until recovery of confidence.

In such cases, there is the possibility to have a material adverse effect on our operating results. Also, in the case of the laws and regulations legal amendments, there are the possibilities to be tightening regulations and restrictions on our products and services and carry a cost in terms of relevant issues. In such a case, our business may have a material adverse effect on our operating results.

OUR BUSINESS FACES THE RISK OF INTERRUPTION FROM POWER SHORTAGES, EARTHQUAKES AND OTHER DISASTERS, OUTBREAK OF BIOLOGICAL VIRUSES, GEOPOLITICAL RISK, AND OTHER HAZARDS.

We face a number of potential business interruption risks that are beyond our control. The State of California experienced intermittent power shortages in 2000, sharp increases in the cost of energy and even interruptions of service to some business customers. If power shortages continue to be a problem, our business may be materially adversely affected. Or, in the outbreak of severe acute virus, influenza, or SARS, there is the possibility that we should stop all our business operations.

Additionally, we may experience natural and biological disasters as like above that could interrupt our business. The impact of nature disasters as a future major earthquake on our facilities, infrastructure and overall operations is not known. There is no guarantee that nature disasters would not seriously disturb our entire business operations. We are largely uninsured for losses and business disruptions caused by an earthquake and other natural

disasters.
In addition, many of the key countries and regions in which we operate have sustained negative economic impact from events such as the continued fear of future the outbreak of severe virus / acute respiratory syndrome, etc., terrorist attacks and other geopolitical risks prolonged continuation of these adverse factors may hurt our results of operations and financial condition.

BECAUSE OF THE INFLUENCE OF THE PRINCIPAL SHAREHOLDERS OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, ITS OTHER SHAREHOLDERS MAY BE UNABLE TO INFLUENCE OUR BUSINESS.
The principal shareholders of Trend Micro Incorporated, Trend Micro group's parent company, including major shareholders who beneficially own more than 5% of the issued shares of common stock and directors of Trend Micro Incorporated, beneficially owned approximately 33.6% of outstanding shares of Trend Micro Incorporated as of December 31, 2012. These shareholders, if they act together, would be able to significantly influence all matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. In addition, Trend Micro Incorporated's principal shareholders may have strategic or other interests that conflict with the interests of its other shareholders. As a result, the concentration in shareholdings of Trend Micro Incorporated may have the effect of delaying or preventing a change in control of Trend Micro group, which could result in the loss of a significant financial gain to shareholders of Trend Micro Incorporated.

THE STOCK PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, IS VOLATILE, AND INVESTORS BUYING THE SHARES MAY NOT BE ABLE TO RESELL THEM AT OR ABOVE THEIR PURCHASE PRICE.
Shares of the common stock of Trend Micro Incorporated, Trend Micro group's parent company, are traded on the Tokyo Stock Exchange. Recently, the Japanese securities markets have experienced significant price and volume fluctuations. The market prices of securities of high-tech companies, and internet companies in particular, have been especially volatile. Since trading in shares of Trend Micro Incorporated commenced on the Tokyo Stock Exchange on August 17, 2000, stock price of Trend Micro Incorporated has fluctuated between a low of (Yen) 1,440 and a high of (Yen) 9,005. The closing price on the Tokyo Stock Exchange for our stock on December 28, 2012 was (Yen) 2,593. The market price of our shares is likely to fluctuate in the future.

BECAUSE OF DAILY PRICE RANGE LIMITATIONS UNDER JAPANESE STOCK EXCHANGE RULES, YOU MAY NOT BE ABLE TO SELL YOUR SHARES OF THE COMMON STOCK OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, AT A PARTICULAR PRICE ON ANY PARTICULAR TRADING DAY, OR AT ALL.
Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchange set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

2. Condition of corporate group

Trend Micro Group consists of Trend Micro Inc. (Japan), and its subsidiaries which develop and sell anti-virus products and offer other related services. Affiliated companies are Soft Trend Capital Corporation which manages capital funds to be invested into Internet-related ventures and NetSTAR Inc. which develops and offers URL filtering products.

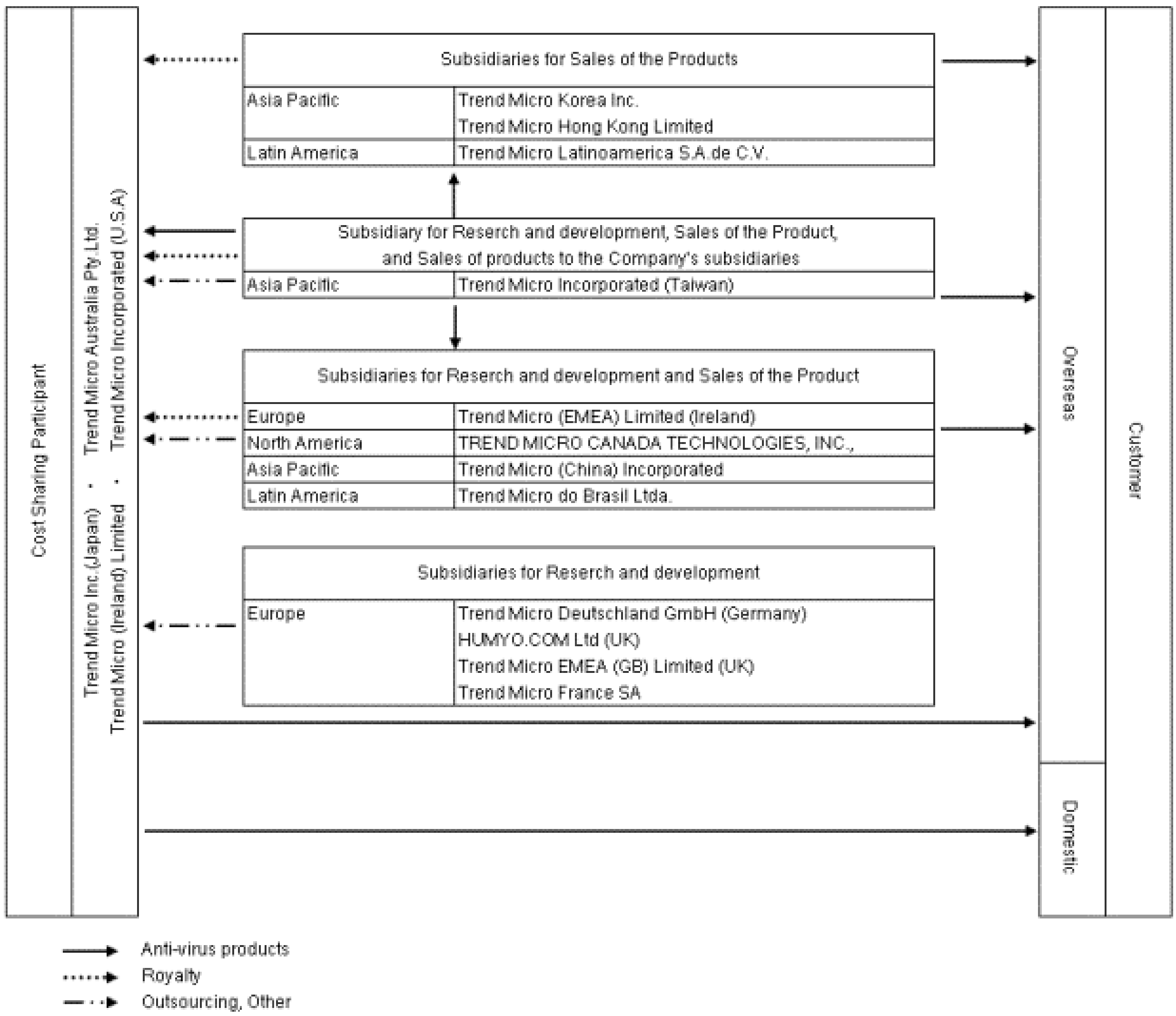
(1) Development and sales of anti-virus products

Products related to anti-virus:

PC client products, LAN server products, Internet server products, All Suite products and Other products

The business functions in Trend Micro Group are described below.

| Function | Operating Segment | Main companies |
|---|---|---|
| Research and Development | Japan | Trend Micro Inc.(Japan) |
| | North America | Trend Micro Incorporated(U.S.A)<br>Trend Micro Canada Technologies, Inc. |
| | Europe | Trend Micro Deutschland GmbH (Germany)<br>Trend Micro(EMEA)Limited(Ireland)<br>Trend Micro France SA<br>Trend Micro EMEA (GB) Limited(UK) |
| | Asia Pacific | Trend Micro Incorporated(Taiwan)<br>Trend Micro India Private Limited<br>Trend Micro(China)Incorporated<br>Trend Micro Australia Pty. Ltd. |
| | Latin America | Trend Micro do Brasil Ltda. |
| Sales of the products | Japan | Trend Micro Inc.(Japan) |
| | North America | Trend Micro Incorporated(U.S.A)<br>Trend Micro Canada Technologies, Inc. |
| | Europe | Trend Micro(EMEA)Limited(Ireland) |
| | Asia Pacific | Trend Micro Incorporated(Taiwan)<br>Trend Micro Korea Inc.<br>Trend Micro Australia Pty. Ltd.<br>Trend Micro Hong Kong Limited<br>Trend Micro(China)Incorporated |
| | Latin America | Trend Micro do Brasil Ltda.<br>Trend Micro Latinoamerica S.A. de C.V.(Mexico) |
| Back office | Europe | Trend Micro(EMEA)Limited(Ireland) |
| | Latin America | Servicentro TMLA, S.A. de C.V.(Mexico) |




(Note) All Subsidiaries are consolidated.

(2)Other related service

Other related services are offered by Soft Trend Capital, which manages capital funds to be invested into Internet-related ventures and NetStar Inc., which develops and offers URL filtering products.

The Company omits “Condition of subsidiaries”, because there has no significant change from latest Annual security report (issued on March 30, 2011).

## 3. MANAGEMENT POLICY

### (1). BASIC POLICY OF MANAGEMENT

Our Vision: A world safe for exchanging digital information.

Our Mission: Innovate to provide the best content security that fits into the IT infrastructure.

Computer networks, mainly those linked to the internet, have been a global infrastructure, as lifelines of the information society regardless of individual, business or national border for a long time.

Today, most threats on the network such as computer viruses, spyware, spam, site defacing, and information theft cannot be predicted and completely prevented. In an increase of cyber crimes which cause theft of proprietary information, monetary damages, and malicious destructions no matter enterprise or consumer, both users could be targeted and attacked. With Advanced Persistent Threat (APT), which is popular attack technique, enterprise are targeted as a particular organization by multi‐faceted attacks. At the same time, consumer users could be also targeted through those new IT technologies and services including variable devices and services like smartphones, multi-functional mobile devices such as tablets, etc., and SNS. Now more than ever, security is the breath of life to enterprises and individuals .

Trend Micro's vision is to protect the global IT infrastructure including growing cloud computing. As a company, we will provide globally-relevant products and services that cover multiple areas of computer security including assessment and restoration to against sequence of cyber attacks, mainly APTs. Trend Micro is not only protecting enterprises and individual users from the threats over the networks without interrupting economic activities and usability, but it is also contributing to the further development of the information society by improving the safety of the whole network system.

### (2). TARGET MANAGEMENT INDEX

According to a research institute, etc., the worldwide security products that we belong to, is estimated to expand at an annual growth rate of 7.6 percent from 2011 to 2016 (based on IDC, USA in December 2012). Making the growth rate of our consolidated net sales to exceed the industry average without fail is an important index that tells us whether or not we can grow to become a leading company that can contribute to customers both in the Japanese and the global market.

In view of the fact that we have a relatively small amount of investments in physical fixed assets such as manufacturing equipment, have no significant time-lag between accounting profit and loss and cash flows as a characteristics of software companies, and have uncertainty about the long-term forecast of the whole industry which, including our company, has a relatively short history, we set target as operating income margin rate of around 30 percent at this time.

### (3). MID- TO LONG-TERM BUSINESS STRATEGY

"Securing Your Journey to the Cloud"

Today, computers and the Internet are used by every person and in all types of location in every country across the world. It has been a part of our society and daily life for long time. In addition to, not only the personal computers, but also smartphones and multi-functional mobile devices such as tablets, etc., and other varied network devices have been launched. With this stream, application programs and purposes of use have become diversified. As a result, there is no longer a single solution that can protect against all the different type of threat environments. Also, in the network environment, cloud computing, which has started actual use, creates innovation in digital information traffic with easy, speedy, and reasonable for data mining and exchange to any information including big data. Under such a situation, the competition in the computer security market has changed, becoming more intensive with new entries.

And our group recognizes that these changes are business opportunities.

In the computer security industry, it is necessary to set a non-conventional approach to security for sequence of cyber attacks, mainly Advanced Persistent Threat (APT) which are

sophisticated, multi faceted attacks targeting a particular organization.
Recently, the rising use of cloud computing technology has been spurred by companies or organizations, etc. from the perspective of business continuity planning and personal using diversifying mobile devices. Thus, more has to be done to create new security for this cloud computing age.
Trend Micro group has been providing security solutions that belong to Trend Micro Smart Protection Network. These include Cloud Computing Security Architecture and Deep Security for protection of mixed environments of physical, virtual and cloud servers to protect data in cloud environments. We will provide security products and services for virtualization and cloud environments, and not only traditional PC but also any new internet devices which become diversified.
We will continue to advance business relationships with our partners. By our customizable and scalable solutions together with partner' s solutions, Trend Micro will advance as an innovative company without sticking to former ways and conventional measure.

## (4). ISSUES TO DEAL WITH

In the computer security industry which our group belongs to, there have been two competitors with gaining a respectable degree of market share in the U.S. In addition to our direct competitors, Microsoft Corporation, a major operating system software vendor, has entered into the security market. Moreover, recently variable consolidations have indeed continued including M&A or acquisition from other industry and new entries, etc. We anticipate that such a consolidation, new entries, and their presence in the computer security market will make the competition in the market more intense.
In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through the acquisition of InterMute Inc. in 2005 for antispyware technologies; Kelkea Inc. in 2007 for IP filtering and reputation services; Provilla, Inc. in 2007 for data leak prevention (DLP); Identum in 2008 for email encryption technology; Third Brigade Inc. in 2009 for Host Intrusion Prevention System (HIPS); Humyo in 2010 for online storage and data synchronization services ; and Mobile Armor in 2011 for data encryption and mobile device management technology.
Through a series of acquisitions and organically grown technology, Trend Micro has taken the lead over other competitors in creating cloud based security solution. Since 2009, Trend Micro Smart Protection Network is at the core of Trend Micro products and services and is designed to protect customers from web threats through a next generation cloud-client content security infrastructure. Trend Micro Smart Protection Network correlates web, email and file threat data using reputation technologies and is continuously updating in-the-cloud threat databases to detect, analyze and protect customers from the latest threats. By introducing fast, real-time security status "look-up" capabilities in-the-cloud, Trend Micro reduces dependence upon conventional pattern file downloads on the endpoint, as well as the cost and overhead associated with corporate-wide pattern deployments.
We will continue to concentrate management resources on developing original, high-performance solutions that address customer pain points faster than the competitors. At the same time, we will continue to pursue long-term growth with a stable financial foundation, strengthen our commitment to users, as well as develop marketing campaigns that target customer needs and customer buying behavior.

## 4. 【CONSOLIDATED FINANCIAL STATEMENTS】

### (1) 【Consolidated Balance Sheets】

(Millions of yen)

| Account | | December 31, 2011 | | December 31, 2012 |
|---|---|---|---|---|
| (Assets) | | | | |
| Current assets | | | | |
| Cash and bank deposits | | 71,883 | | 54,732 |
| Notes and Accounts receivable, trade | | 21,011 | | 20,999 |
| Marketable securities | | 37,734 | | 64,110 |
| Inventories | *1 | 425 | *1 | 370 |
| Deferred tax assets | | 15,175 | | 14,775 |
| Others | | 5,041 | | 4,375 |
| Allowance for bad debt | | (50) | | (104) |
| Total current assets | | 151,222 | | 159,259 |
| Non-current assets | | | | |
| Property and equipment | | | | |
| (1) Office furniture & equipment, net | *2 | 3,844 | *2 | 3,364 |
| (2) Others, net | *2 | 1,312 | *2 | 1,073 |
| Total Property and equipment | | 5,157 | | 4,437 |
| Intangibles | | | | |
| (1) Software | | 6,348 | | 5,740 |
| (2) Goodwill | | 1,826 | | 960 |
| (3) Others | | 1,344 | | 1,169 |
| Total intangibles | | 9,520 | | 7,870 |
| Investments and other non-current assets | | | | |
| (1) Investment Securities | | 23,237 | | 35,292 |
| (2) Investments in subsidiaries and affiliates | | 242 | | 190 |
| (3) Deferred tax assets | | 11,381 | | 10,739 |
| (4) Others | | 1,004 | | 1,217 |
| Total investments and other non-current assets | | 35,865 | | 47,440 |
| Total non-current assets | | 50,543 | | 59,748 |
| Total assets | | 201,765 | | 219,007 |

(Millions of yen)

| Account | December 31, 2011 | December 31, 2012 |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Accounts payable and Notes payable, trade | 886 | 727 |
| Accounts payable, other | 4,579 | 3,758 |
| Accrued expenses | 4,635 | 4,844 |
| Accrued income and other taxes | 2,238 | 5,678 |
| Allowance for bonuses | 1,044 | 840 |
| Allowance for sales returns | 791 | 602 |
| Deferred revenue | 54,741 | 59,286 |
| Others | 2,485 | 2,306 |
| Total current liabilities | 71,402 | 78,044 |
| Long-term liabilities | | |
| Deferred revenue | 20,714 | 24,464 |
| Allowance for retirement benefits | 1,974 | 2,371 |
| Others | 311 | 634 |
| Total long-term liabilities | 23,000 | 27,471 |
| Total liabilities | 94,403 | 105,515 |
| | | |
| (Net assets) | | |
| Shareholders' equity | | |
| Common stock | 18,386 | 18,386 |
| Additional paid-in capital | 21,111 | 21,111 |
| Retained earnings | 100,318 | 102,451 |
| Treasury stock, at cost | (26,460) | (26,440) |
| Total share holder's equity | 113,355 | 115,509 |
| Accumulated other comprehensive income | | |
| Net unrealized gain (loss) on debt and equity securities | (1,776) | 572 |
| Foreign currency translation adjustments | (10,987) | (6,810) |
| Total of accumulated other comprehensive income | (12,764) | (6,238) |
| Stock acquisition rights | 6,719 | 4,213 |
| Minority interest | 51 | 7 |
| Total net assets | 107,362 | 113,492 |
| Total liabilities and net assets | 201,765 | 219,007 |

(2) 【Consolidated Statements of Income
Consolidated Statements of Comprehensive Income】

## Consolidated Statements of Income

(Millions of yen)

| | | For the year ended December 31, 2011 | | For the year ended December 31, 2012 |
|---|---|---|---|---|
| Net Sales | | 96,392 | | 93,839 |
| Cost of sales | | 17,895 | | 17,511 |
| Gross profit | | 78,497 | | 76,327 |
| Operating expenses | *1, *2 | 52,132 | *1, *2 | 53,920 |
| Operating income | | 26,364 | | 22,407 |
| Non-operating income | | | | |
| Interest income and dividend received | | 1,594 | | 1,273 |
| Gain on sales of marketable securities | | 829 | | 254 |
| Equity in earnings of affiliated companies | | 22 | | 3 |
| Other income | | 151 | | 155 |
| Total non-operating income | | 2,598 | | 1,686 |
| Non-operating expenses | | | | |
| Interest expenses | | 1 | | 4 |
| Loss on sales of marketable securities | | - | | 101 |
| Impairment loss on marketable securities | | - | | 77 |
| Foreign exchange loss | | 51 | | 856 |
| Other expenses | | 219 | | 393 |
| Total non-operating expenses | | 272 | | 1,432 |
| Ordinary income | | 28,690 | | 22,661 |
| Extraordinary gain | | | | |
| Gain on redemption of marketable securities | | 810 | | - |
| Gain on reversal of stock option | | 4,727 | | 4,224 |
| Gain on reversal of allowance for bad debt | | 130 | | - |
| Total extraordinary gain | | 5,668 | | 4,224 |
| Extraordinary loss | | | | |
| Impairment loss | | - | *3 | 780 |
| Loss on disposal of fixed assets | *4 | 110 | | - |
| Loss on sales of marketable securities | | 5,625 | | 1,700 |
| Total extraordinary loss | | 5,736 | | 2,481 |
| Net income before taxes | | 28,623 | | 24,404 |
| Income taxes | | | | |
| Income taxes current | | 9,661 | | 11,780 |
| Income taxes -deferred | | 1,614 | | (822) |
| Total income taxes | | 11,276 | | 10,957 |
| Net Income before minority interest | | 17,346 | | 13,446 |
| Minority interest in income of consolidated subsidiaries | | 5 | | (0) |
| Net income | | 17,341 | | 13,447 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the year ended December 31, 2011 | | For the year ended December 31, 2012 |
|---|---|---|---|
| Net Income before minority interests | 17,346 | | 13,446 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sales securities | 2,037 | | 2,349 |
| Foreign currency translation adjustment | (2,605) | | 4,190 |
| Share of other comprehensive income of associates accounted for using equity method | 0 | | △0 |
| Total other comprehensive income | (567) | *1 | 6,539 |
| Comprehensive income | 16,778 | | 19,986 |
| Comprehensive income attributable to owners of the parent | 16,777 | | 19,972 |
| Comprehensive income attributable to minority interests | 1 | | 13 |

(3) 【Consolidated Statements of Changes in Net Assets】

(Millions of yen)

| | For the year ended December 31, 2011 | For the year ended December 31, 2012 |
|---|---|---|
| Shareholders' equity | | |
| Common stock | | |
| Balance at the end of previous period | 18,386 | 18,386 |
| Movement for the period | | |
| Total movement | — | — |
| Balance at the end of current period | 18,386 | 18,386 |
| Capital surplus | | |
| Balance at the end of previous period | 21,111 | 21,111 |
| Movement for the period | | |
| Sales of treasury stock | 0 | 0 |
| Total movement | 0 | 0 |
| Balance at the end of current period | 21,111 | 21,111 |
| Retained earnings | | |
| Balance at the end of previous period | 92,324 | 100,318 |
| Movement for the period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 17,341 | 13,447 |
| Total movement | 7,993 | 2,133 |
| Balance at the end of current period | 100,318 | 102,451 |
| Treasury stock | | |
| Balance at the end of previous period | (21,834) | (26,460) |
| Movement for the period | | |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | - |
| Total movement | (4,626) | 19 |
| Balance at the end of current period | (26,460) | (26,440) |
| Total shareholders' equity | | |
| Balance at the end of previous period | 109,988 | 113,355 |
| Movement for the period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 17,341 | 13,447 |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | - |
| Total movement | 3,367 | 2,153 |
| Balance at the end of current period | 113,355 | 115,509 |

(Millions of yen)

| | For the year ended December 2011 | For the year ended December 2012 |
|---|---|---|
| Accumulated other comprehensive income | | |
| Unrealized gain/(loss) on available-for-sales securities | | |
| Balance at the end of previous period | (3,814) | (1,776) |
| Movement for the period | | |
| Movement for the period excluding shareholders' equity | 2,038 | 2,349 |
| Total movement | 2,038 | 2,349 |
| Balance at the end of current period | (1,776) | 572 |
| Foreign currency translation adjustments | | |
| Balance at the end of previous period | (8,385) | (10,987) |
| Movement for the period | | |
| Movement for the period excluding shareholders' equity | (2,602) | 4,177 |
| Total movement | (2,602) | 4,177 |
| Balance at the end of current period | (10,987) | (6,810) |
| Total accumulated other comprehensive income | | |
| Balance at the end of previous period | (12,200) | (12,764) |
| Movement for the period | | |
| Movement for the period excluding shareholders' equity | (564) | 6,526 |
| Total movement | (564) | 6,526 |
| Balance at the end of current period | (12,764) | (6,238) |
| Stock acquisition rights | | |
| Balance at the end of previous period | 8,734 | 6,719 |
| Movement for the period | | |
| Movement for the period excluding shareholders' equity | (2,014) | (2,506) |
| Total movement | (2,014) | (2,506) |
| Balance at the end of current period | 6,719 | 4,213 |
| Minority interest | | |
| Balance at the end of previous period | 46 | 51 |
| Movement for the period | | |
| Movement for the period excluding shareholders' equity | 4 | (43) |
| Total movement | 4 | (43) |
| Balance at the end of current period | 51 | 7 |
| Total net assets | | |
| Balance at the end of previous period | 106,569 | 107,362 |
| Movement for the period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 17,341 | 13,447 |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | - |
| Movement for the period excluding shareholders' equity | (2,574) | 3,976 |
| Total movement | 792 | 6,129 |
| Balance at the end of current period | 107,362 | 113,492 |

(4) 【Consolidated Statements of Cash Flows】

(Millions of yen)

| Account | For the year ended December 31, 2011 | For the year ended December 31, 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income before taxes | 28,623 | 24,404 |
| Depreciation and amortization | 6,481 | 6,821 |
| Impairment loss | — | 780 |
| Stock compensation expense | 2,723 | 2,066 |
| Gain on reversal of stock option | (4,727) | (4,224) |
| Amortization of Goodwill | 857 | 675 |
| Increase (decrease) in Allowance for bad debts | (218) | 47 |
| Increase (decrease) in Allowance for sales returns | 178 | (212) |
| Increase in Allowance for retirement benefits | 291 | 327 |
| Interest income | (1,594) | (1,273) |
| Interest expenses | 1 | 4 |
| (Gain) loss on sales of marketable securities | 4,795 | 1,547 |
| Equity in earnings of affiliated companies | (22) | (3) |
| (Gain) loss on sales and disposal of fixed asset | 110 | — |
| (Gain)/Loss on redemption of marketable securities | (810) | — |
| Valuation loss on marketable securities | — | 77 |
| Virtual share bonus plan | — | 1,270 |
| (Increase) decrease in notes and accounts receivable | 761 | 1,208 |
| (Increase) decrease in inventories | 109 | 97 |
| Increase (decrease) in notes and accounts payable | 212 | (239) |
| Increase (decrease) in accounts payable, other & accrued expenses | (1,329) | (293) |
| Increase (decrease) in deferred revenue | 928 | 4,615 |
| Others | 345 | 908 |
| Subtotal | 37,717 | 38,605 |
| Proceeds from interest and dividend received | 2,095 | 1,182 |
| Payments for interest expenses | (1) | (4) |
| Payments for income taxes | (13,681) | (8,253) |
| Net cash provided by operating activities | 26,130 | 31,529 |
| Cash flows from investing activities: | | |
| Net (Payments for)/Proceeds from time deposits | 8,396 | (2,864) |
| Payments for purchases of marketable securities and security investments | (44,472) | (96,026) |
| Proceeds from sales or redemptions of marketable securities and security investments | 42,928 | 58,445 |
| Payments for purchases of property and equipment | (2,588) | (1,192) |
| Payments for purchases of other intangibles | (4,395) | (3,903) |
| Acquisition costs for new subsidiary's share | (2,411) | — |
| Acquisition costs for new subsidiary's interest | (73) | — |
| Others | — | (103) |
| Net cash used in investing activities | (2,616) | (45,645) |
| Cash flows from financing activities: | | |
| Payments for purchase of treasury stock | (4,682) | — |
| Proceeds from sales of treasury stock | 45 | 15 |
| Dividends paid | (8,929) | (10,800) |
| Payments for stock option buy back | — | (343) |

| | | | | |
|---|---|---|---|---|
| Net cash used in financing activities | | (13,567) | | (11,128) |
| Effect of exchange rate changes on cash and cash equivalents | | (2,914) | | 4,522 |
| Net increase (decrease) in cash and cash equivalents | | 7,031 | | (20,721) |
| Cash and cash equivalents at the beginning of period | | 64,136 | | 71,167 |
| Cash and cash equivalents at the end of period | *1 | 71,167 | *1 | 50,446 |

(5)【Footnote on going concern】

Fiscal year ended December 31, 2011 (From January 1, 2011 to December 31, 2011)
N/A

Fiscal year ended December 31, 2012 (From January 1, 2012 to December 31, 2012)
N/A

(6)【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

| | For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012) |
|---|---|---|
| 1 Basis of consolidation | (1) Consolidated subsidiaries<br>All of our 32 subsidiaries are consolidated.<br>Names of major subsidiaries:<br>Trend Micro Inc.<br>Trend Micro Incorporated<br>Trend Micro Australia Pty. Ltd.<br>Trend Micro (EMEA) Limited<br>(2) The Company has no unconsolidated subsidiaries. | (1) Consolidated subsidiaries<br>All of our 33 subsidiaries are consolidated.<br>Names of major subsidiaries:<br>Trend Micro Inc.<br>Trend Micro Incorporated<br>Trend Micro Australia Pty. Ltd.<br>Trend Micro (EMEA) Limited<br>(2) The Company has no unconsolidated subsidiaries. |
| 2 Affiliated companies | Equity method accounting is applied to investments in the following affiliated companies.<br>*Soft Trend Capital Corporation (Japan)<br>*Net STAR, Inc. (Japan)<br>*Cloud Trend Corporation | Equity method accounting is applied to investments in the following affiliated companies.<br>*Soft Trend Capital Corporation (Japan)<br>*Net STAR, Inc. (Japan) |
| 3 Fiscal year of consolidated subsidiaries | All financial statements included in a set of consolidated financial statements are prepared as of the same date. | Same as left |

| | For the previous fiscal year<br>(From January 1, 2011<br>To December 31, 2011) | For the current fiscal year<br>(From January 1, 2012<br>To December 31, 2012) |
|---|---|---|
| 4 Accounting Policies<br>(1) Accounting for evaluation of assets | A. Marketable securities and investment securities<br><br>Available-for-sale with market value:<br>The securities are stated at the market value method based on the value at the end of the period<br>(Unrealized gains and losses, net of taxes, reported in a separate component of equity. Cost of selling is determined by the moving average method.)<br><br>Available-for-sale without market value:<br>Cost basis by moving average method<br>The securities for investment fund and such funds, which are recognized as marketable securities on Financial Instruments and Exchange Law 2-2, are recognized the net ownership amount with the latest available financial statements that is defined on the fund contracts.<br><br>B. Inventories<br>Lower of cost or market by moving average method<br>The carrying value on the balance sheet of the inventory with lower profit margin is written down | A. Marketable securities and investment securities<br><br>Available-for-sale with market value:<br>Same as left<br><br>Available-for-sale without market value:<br>Same as left<br><br>B. Inventories<br>Same as left |
| (2) Depreciation and amortization | A. Property and equipment<br>Mainly, depreciation is computed by declining-balance method in parent company and is computed by a straight-line method in consolidated subsidiaries.<br>Useful lives of the main property and equipment are as follows :<br>Office furniture and equipment : 2 - 10 years<br><br>B. Intangibles<br>a. Software for sale<br>Straight -line method over the estimated useful lives (12 months)<br>b. Software for internal use | A. Property and equipment<br>Mainly, depreciation is computed by declining-balance method in parent company and is computed by a straight-line method in consolidated subsidiaries.<br>Useful lives of the main property and equipment are as follows :<br>Office furniture and equipment : 2 - 20 years<br><br>B. Intangibles<br>a. Software for sale<br>Same as left<br><br>b. Software for internal use |

| | | |
|---|---|---|
| | Straight-line method over the estimated useful lives (mainly 5 years) | Same as left |
| | c. Other intangibles<br>Straight-line method over the estimated useful lives | c. Other intangibles<br>Same as left |

| | For the previous fiscal year<br>(From January 1, 2011<br>To December 31, 2011) | For the current fiscal year<br>(From January 1, 2012<br>To December 31, 2012) |
|---|---|---|
| | C. Leased assets<br>Finance lease without transfer of ownership of the leased assets<br>Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero.<br>Finance lease without transfer of ownership of the leased assets started before December 31, 2008 are accounted or in the same manner as applied for operating lease. | C. Leased assets<br>Same as left |
| (3) Accounting policies for allowances | A. Allowance for doubtful accounts<br>In order to reserve future losses from default of notes and account receivable, allowance for bad debt is provided. The amount is determined using the percentage based on actual doubtful account loss against total of debts. As for high-risk receivables, expected unrecoverable amount is considered individually.<br>B. Allowance for bonuses<br>Bonuses for employees are provided at an estimate of the amount.<br>C. Allowance for sales returns<br>In order to reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return. | A. Allowance for doubtful accounts<br>Same as left<br>B. Allowance for bonuses<br>Same as left<br>C. Allowance for sales returns<br>Same as left |

| | For the previous fiscal year<br>(From January 1, 2011<br>To December 31, 2011) | For the current fiscal year<br>(From January 1, 2012<br>To December 31, 2012) |
|---|---|---|
| | D. Allowance for retirement benefits<br>In order to reserve future losses arising from retirement of employees, allowance for retirement benefits is provided based on retirement benefit liabilities projected and pension asset projected at the end of the period. Actuarial gains and losses are expensed in a certain periods less than average future service years of employees of the year (1-23 years). | D. Same as left |
| (4) Translation of foreign currencies | Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting translation gains or losses are taken into current income.<br>All asset and liability accounts of foreign subsidiaries are translated into Japanese yen at period-end rates of exchange and all income and expense accounts are translated at average exchange rate. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income (loss) and minority interest. | Same as left |

| | For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012) |
|---|---|---|
| (5) Other important matters for preparing financial statements | A. Consumption tax<br>Transactions subject to consumption tax is stated at the amount net of the related consumption tax.<br><br>B. Revenue recognition method for Post Contract Customer Support Service<br>Basically, the product license agreement contracted with the end-user states the article for PCS (customer support and upgrading of products and its pattern files).<br>The company applies the following revenue recognition method for the portion of PCS. Portion of PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period. | A. Consumption tax<br>Same as left<br><br>B. Revenue recognition method for Post Contract Customer Support Service<br>Same as left |
| 5 Valuation of assets and liabilities of consolidated subsidiaries | Assets and liabilities of the consolidated subsidiaries are measured at fair value. | Same as left |
| 6 Amortization of Goodwill | Goodwill is amortized evenly over the appropriate period in less than 20 years. | Same as left |
| 7 Definition of cash and cash equivalent in the consolidated statements of cash flows | Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and representing a minor risk of fluctuations in value. | Same as left |

(7)【Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

(Change of the Accounting Policy)

(Application of Accounting Standard for Earnings per Share and others)

From this first quarter of the current fiscal year, the Company has adopted "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan (ASBJ) Standard No. 2, June 30, 2010), and "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, June 30, 2010).

For the calculation of diluted net income per share, the method of determining the fair value of stock options that vest after a certain period of employment has been changed. Under the new method, the portion of the fair value of stock options that corresponds to future services to be provided to the Company is included in the amount that is assumed to be received by the Company from the exercise of the stock options.

(Accounting Standards Not Yet Applied)

(Employee Benefits

- ASBJ Statement No.26, May 17, 2012 and ASBJ Guidance No.25, May 17, 2012)

(1) Summary

The main revisions relating to recognition and measurement are as below:

Abolition of the option of deferred recognition for actuarial differences and prior service costs (Those should be recognized immediately as Other comprehensive Income in the Balance Sheet with consideration of tax effect).

Change in the method of calculation of retirement benefit expenses.

(2) Effective Date

Trendmicro will apply it from the end of FY2014.

However the calculation for Retirement benefit obligations and service costs will be applied from the beginning of FY2015.

(3) Impact of Application of Relevant Accounting Standards etc

The impact on financial statements is being evaluated at the time of preparation of these consolidated financial statements.

(Additional information)

(Application of Accounting Standard for Accounting Changes and Error Corrections)

From the current fiscal year, the Company has been applying the "Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009)" and the "Guidance on Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009)" to accounting changes and error corrections made to prior period financial statements after January 1, 2011.

(8)【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets )

(Millions of Yen)

| At the end of the previous fiscal year (As of December 31, 2011) | | At the end of the current fiscal year (As of December 31, 2012) | |
|---|---|---|---|
| *1 Inventory | | *1 Inventory | |
| Finished Goods | 345 | Finished Goods | 326 |
| Materials | 20 | Materials | 12 |
| Goods | 59 | Goods | 30 |
| *2 Accumulated depreciation of property and equipment | 9,751 | *2 Accumulated depreciation of property and equipment | 12,466 |

(Consolidated Statements of Income)

(Millions of Yen)

| For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012) |
|---|---|
| *1 Major components of Operating expenses are as follows<br>Sales promotion 7,520<br>Salaries 22,659<br>Bonuses 657 | *1 Major components of Operating expenses are as follows<br>Sales promotion 7,433<br>Salaries 24,603<br>Bonuses 603 |
| *2 Research and development expense were 3,470 millions of yen and included in Operating expenses. | *2 Research and development expense were 3,787 millions of yen and included in Operating expenses. |
| ――――――――― | *3 Due to increased competition etc in the business, the intangible assets related to online storage will not observed to be recovered over an estimated period of cash flows. That's why the impairment loss shows 780 million yen as the extraordinary loss after the impairment. The recoverable amount is measured by value in use, are evaluated as "zero" which value in use based on those future cash flows is negative.<br>The contents are below:<br>JAPAN 157 million<br>NABU 98 million<br>EMEA 509 million<br>APAC 15 million |
| *4 The details of loss on disposal of fixed assets<br>Buildings 102<br>Office furniture & equipment, etc. 8 | ――――――――― |

(Consolidated Statements of Comprehensive Income)

For the current fiscal year (from January 1, 2012 to December 31, 2012)

※1 Reclassification and deferred tax amount of total other comprehensive income

| | (Millions of Yen) |
|---|---|
| Valuation difference on available-for sales securities | |
| Amount incurred in current year | 2,094 |
| Reclassification | 1,767 |
| Before deferred tax | 3,861 |
| Deferred tax | (1,512) |
| Other comprehensive income | 2,349 |
| Foreign currency translation adjustment | |
| Amount incurred in current year | 4,190 |
| Share of other comprehensive income of associates accounted for using equity method | |
| Amount incurred in current year | (0) |
| Total other comprehensive income | 6,539 |

(Consolidated Stockholders' Equity Statements)

For the previous fiscal year (from January 1, 2011 to December 31, 2011)

1. Number of common stock issued

| Class of stock | As of Jan 1, 2011 | Increase | Decrease | As of Dec 31, 2011 |
|---|---|---|---|---|
| Common stock | 140,293,004 | — | — | 140,293,004 |

2. Number of Treasury stocks

| Class of treasury stock | As of Jan 1, 2011 | Increase | Decrease | As of Dec 31, 2011 |
|---|---|---|---|---|
| Common stock | 6,750,535 | 2,006,100 | 17,900 | 8,738,735 |

The increase by 2,006,100 share is due to the market purchasing of treasury stock.
The decrease by 17,900 shares is due to disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

| Detail | Class of shares subject to stock acquisition right | Number of shares subject to the exercise of stock acquisition rights | | | | Amount outstanding (Millions of yen) |
|---|---|---|---|---|---|---|
| | | As of Jan 1,2011 | Increase | Decrease | As of Dec 31, 2011 | |
| Stock Option | — | — | — | — | — | 6,719 |

4. Dividend of surplus

(1) Dividends payment

| Resolution | Class of stock | Total dividends (Millions of yen) | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Shareholders' meeting on Mar 25, 2011 | Common stock | 9,347 | 70.00 | Dec 31, 2010 | Mar 28, 2011 |

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

| Resolution | Class of stock | Dividends resource | Total dividends (Millions of yen) | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Shareholders' meeting on Mar 27, 2012 | Common stock | Retained earnings | 11,313 | 86.00 | Dec 31, 2011 | Mar 28, 2012 |

For the current fiscal year (from January 1, 2012 to December 31, 2012)

1. Number of common stock issued

| Class of stock | As of Jan 1, 2012 | Increase | Decrease | As of Dec 31, 2012 |
|---|---|---|---|---|
| Common stock | 140,293,004 | — | — | 140,293,004 |

2. Number of Treasury stocks

| Class of treasury stock | As of Jan 1, 2012 | Increase | Decrease | As of Dec 31, 2012 |
|---|---|---|---|---|
| Common stock | 8,738,735 | — | 6,600 | 8,732,135 |

The decrease by 6,600 shares is due to the disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

| Detail | Class of shares subject to stock acquisition right | Number of shares subject to the exercise of stock acquisition rights | | | | Amount outstanding (Millions of yen) |
|---|---|---|---|---|---|---|
| | | As of Jan 1,2012 | Increase | Decrease | As of Dec 31, 2012 | |
| Stock Option | — | — | — | — | — | 4,213 |

4. Dividend of surplus

(1) Dividends payment

| Resolution | Class of stock | Total dividends (Millions of yen) | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Shareholders' meeting on Mar 27, 2012 | Common stock | 11,313 | 86.00 | Dec 31, 2011 | Mar 28, 2012 |

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

| Resolution | Class of stock | Dividends resource | Total dividends (Millions of yen) | Cash dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Shareholders' meeting on Mar 26, 2013 | Common stock | Retained earnings | 8,814 | 67.00 | Dec 31, 2012 | Mar 27, 2013 |

(Consolidated Statements of Cash Flows)

(Millions of yen)

| For the previous fiscal year (From January 1, 2011 To December 31, 2011) | | For the current fiscal year (From January 1, 2012 To December 31, 2012) | |
|---|---|---|---|
| *1 Reference of cash and cash equivalents on balance sheet is as follows. | | *1 Reference of cash and cash equivalents on balance sheet is as follows. | |
| Cash and bank deposits | 71,883 | Cash and bank deposits | 54,732 |
| Time deposits with original maturities of longer than three months | (1,661) | Time deposits with original maturities of longer than three months | (4,927) |
| Short term investments which is in Marketable securities account | 946 | Short term investments which is in Marketable securities account | 641 |
| Cash and cash equivalent | 71,167 | Cash and cash equivalent | 50,446 |

(Marketable securities and security investments)

As of December 31, 2011

1 Available-for-sale investments with fair market value

(Millions of yen)

| | Securities | Purchase Cost | Fair value on consolidated balance sheet | Difference |
|---|---|---|---|---|
| Marketable securities with fair value over purchase cost | Bonds | | | |
| | (1)Government bonds | 6,926 | 6,928 | 1 |
| | (2)Corporate bonds | 6,078 | 6,101 | 22 |
| | (3)Others | − | − | − |
| | Others | 1,961 | 1,992 | 30 |
| | Total | 14,966 | 15,021 | 55 |
| Marketable securities with purchase cost over fair value | Bonds | | | |
| | (1)Government bonds | 6,521 | 6,520 | (0) |
| | (2)Corporate bonds | 21,983 | 20,869 | (1,113) |
| | (3)Others | 10,781 | 10,568 | (213) |
| | Others | 4,456 | 2,791 | (1,664) |
| | Total | 43,743 | 40,751 | (2,991) |
| Grand Total | | 58,709 | 55,772 | (2,936) |

2 Sales of available-for-sales investments (From January 1, 2011 to December 31, 2011)

(Millions of yen)

| Classification | Sales amount | Gain on sales of investments in securities | Loss on sales of investments in securities |
|---|---|---|---|
| Shares | - | - | - |
| Bonds | 31,506 | 1,635 | - |
| Others | 14,541 | 5 | 5,625 |
| Total | 46,048 | 1,640 | 5,625 |

(Note) "Gain on sales of investments in securities" includes Gain on redemption of marketable securities.

As of December 31, 2012

1 Available-for-sale investments with fair market value

(Millions of yen)

| | Securities | Purchase Cost | Fair value on consolidated balance sheet | Difference |
|---|---|---|---|---|
| Marketable securities with fair value over purchase cost | Bonds | | | |
| | (1)Government bonds | 9,173 | 9,174 | 0 |
| | (2)Corporate bonds | 22,471 | 23,362 | 891 |
| | (3)Others | 8,704 | 8,774 | 69 |
| | Others | 1,794 | 1,967 | 172 |
| | Total | 42,145 | 43,278 | 1,133 |
| Marketable securities with purchase cost over fair value | Bonds | | | |
| | (1)Government bonds | 12,598 | 12,579 | (18) |
| | (2)Corporate bonds | 9,860 | 9,792 | (68) |
| | (3)Others | 9,187 | 9,074 | (113) |
| | Others | 24,692 | 24,677 | (14) |

| | | | |
|---|---|---|---|
| Total | 56,339 | 56,124 | (215) |
| Grand Total | 98,484 | 99,402 | 918 |

(Notes) The amount of Purchase Cost is after the Impairment Loss. The amount of Impairment Loss for FY2012 is 77 million yen.

2 Sales of available-for-sales investments (From January 1, 2012 to December 31, 2012)

(Millions of yen)

| Classification | Sales amount | Gain on sales of investments in securities | Loss on sales of investments in securities |
|---|---|---|---|
| Shares | - | - | - |
| Bonds | 36,568 | - | 22 |
| Others | 27,405 | 254 | 1,779 |
| Total | 63,973 | 254 | 1,801 |

(Employee retirement benefit plans)

(Millions of yen)

| At the end of previous fiscal year (As of Dec 31, 2011) | At the end of current fiscal year (As of Dec 31, 2012) |
|---|---|
| 1. Pension and severance plans<br>The parent company has an unfunded retirement plan ( “Plan” ) as a defined benefit plan and has been a member of Kanto IT Software welfare pension fund. Kanto IT Software pension fund is categorized as multi-employer pension fund.<br>The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan.<br>The overview of multi-employer pension fund is as follows.<br>(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2011)<br>Pension asset 171,944<br>Benefit obligation 172,108<br>Variance (163)<br>(2) The ratio of the Company’ s contribution for Kanto IT Software pension fund (as of Mar 31, 2011) 1.07%<br>(3) Supplemental information<br>The reasons for the variance of (1) are as follows.<br>Other reserve 14,983<br>Shortage of reserve (11,653)<br>Asset valuation adjustment (3,493)<br>Variance (163)<br>The unfunded prior service cost is amortized evenly over 20 years. | 1. Pension and severance plans<br>The parent company has an unfunded retirement plan ( “Plan” ) as a defined benefit plan and has been a member of Kanto IT Software welfare pension fund. Kanto IT Software pension fund is categorized as multi-employer pension fund.<br>The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan.<br>The overview of multi-employer pension fund is as follows.<br>(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2011)<br>Pension asset 186,189<br>Benefit obligation 186,648<br>Variance (458)<br>(2) The ratio of the Company’ s contribution for Kanto IT Software pension fund (as of Mar 31, 2012) 1.13%<br>(3) Supplemental information<br>The reasons for the variance of (1) are as follows.<br>Other reserve 3,329<br>Shortage of reserve (13,412)<br>Asset valuation adjustment 9,623<br>Variance (458)<br>The unfunded prior service cost is amortized evenly over 20 years. |
| 2. Allowance for retirement benefits<br>1.Benefit obligation (2,605)<br>2.Plan assets 158<br>3.Unfunded status (1 + 2 ) (2,447)<br>4.Unrecognized net actuarial loss 472<br>5.Allowance for retirement benefits (3 + 4) (1,974)<br><br>(Note) In calculation of allowance for retirement benefits, certain subsidiaries adopt compendium method. | 2. Allowance for retirement benefits<br>1.Benefit obligation (3,040)<br>2.Plan assets 187<br>3.Unfunded status (1 + 2 ) (2,853)<br>4.Unrecognized net actuarial loss 481<br>5.Allowance for retirement benefits (3 + 4) (2,371)<br><br>(Note) In calculation of allowance for retirement benefits, certain subsidiaries adopt compendium method. |
| 3.Pension expense<br>1.Service cost 252<br>2.Interest cost 29<br>3.Expected return of plan assets (2)<br>4.Recognition of actuarial gain / loss 60<br>Sub-total (1+2+3+4) 340<br>5.Contribution to Kanto IT Software pension plan 167<br>6.Pension expense for Defined contribution plan 526<br>Net periodic pension cost (1+2+3＋4＋5+6) 1,034<br><br>(Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost. | 3.Pension expense<br>1.Service cost 287<br>2.Interest cost 42<br>3.Expected return of plan assets (3)<br>4.Recognition of actuarial gain / loss 101<br>Sub-total (1+2+3+4) 426<br>5.Contribution to Kanto IT Software pension plan 147<br>6.Pension expense for Defined contribution plan 708<br>Net periodic pension cost (1+2+3＋4＋5+6) 1,283<br><br>(Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost. |
| 4. Assumption used for calculating the pension benefit obligation<br>1. Projected cost allocation method Straight line basis<br>2. Discount rate 1.00 - 10.40%<br>3. Rate of return on asset 2.00 - 6.00%<br>4. Amortization of actuarial gain and loss 1 - 23 years | 4. Assumption used for calculating the pension benefit obligation<br>1. Projected cost allocation method Straight line basis<br>2. Discount rate 1.00 - 7.30%<br>3. Rate of return on asset 1.75 - 5.00%<br>4. Amortization of actuarial gain and loss 1 - 23 years |

(Segment Information)

1 Outline of reporting segment

The segment of trendmicro group shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its decision-making-body for the purpose of deciding the allocation of its managerial resources and evaluating its business performances.

The company is mainly engaged in developing and selling anti-virus software product and providing anti-virus related services. The company is taking care of Japan area and its affiliates in North America, Europe, Asia Pacific or Latin America are in charge of their own area respectively. Therefore, our segments are made of 5 segments which are Japan, North America, Europe, Asia Pacific and Latin America based on the business of developing, selling anti-virus products and related services.

2 Method of calculating amounts of net sales, income/loss, assets, liabilities and other items by segments

Accounting procedures reported by segment are almost the same as those which are described in 【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

3 Information of the amount of sales, profit/loss, assets, liabilities and other items by reporting segments

For the previous fiscal year (from January 1, 2011 to December 31, 2011)

(Millions of Yen)

| | Japan | North America | Europe | Asia Pacific | Latin America | Total | Consolidation Adjustment | Consolidation |
|---|---|---|---|---|---|---|---|---|
| Ⅰ Sales | | | | | | | | |
| (1) Net sales to external customers | 46,070 | 20,452 | 17,147 | 10,329 | 2,391 | 96,392 | - | 96,392 |
| (2) Intercompany sales | 8,950 | 1,383 | 1,377 | 10,747 | 10 | 22,470 | (22,470) | - |
| Total sales | 55,021 | 21,836 | 18,525 | 21,077 | 2,402 | 118,863 | (22,470) | 96,392 |
| Operating income by segment | 24,061 | 601 | 75 | 984 | 701 | 26,424 | (59) | 26,364 |
| Asset by segment | 137,738 | 31,103 | 22,049 | 20,001 | 6,275 | 217,167 | (15,402) | 201,765 |
| Other items | | | | | | | | |
| Depreciation and amortization | 2,927 | 2,109 | 463 | 1,073 | 11 | 6,586 | (105) | 6,481 |
| Increase in tangible and intangible fixed assets | 3,474 | 2,734 | 601 | 853 | 11 | 7,675 | - | - |

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada
Europe Ireland, Germany, Italy, France, UK
Asia pacific Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia,

Thailand, India
Latin America Brazil, Mexico

3 Consolidation Adjustment at Operating income (59) comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (15,402) comes from the elimination between segments transactions.

5 Depreciation and amortization (105) comes from the elimination between segments transactions.

For the current fiscal year (from January 1, 2012 to December 31, 2012)

(Millions of Yen)

| | Japan | North America | Europe | Asia Pacific | Latin America | Total | Consolidation Adjustment | Consolidation |
|---|---|---|---|---|---|---|---|---|
| I Sales | | | | | | | | |
| (1) Net sales to external customers | 45,803 | 18,869 | 16,396 | 10,676 | 2,093 | 93,839 | – | 93,839 |
| (2) Intercompany sales | 4,936 | 1,610 | 785 | 11,816 | 11 | 19,159 | (19,159) | - |
| Total sales | 50,739 | 20,479 | 17,181 | 22,492 | 2,105 | 112,998 | (19,159) | 93,839 |
| Operating income by segment | 18,290 | 1,783 | 931 | 853 | 453 | 22,311 | 95 | 22,407 |
| Asset by segment | 146,585 | 33,161 | 22,328 | 24,216 | 6,635 | 232,928 | (13,920) | 219,007 |
| Other items | | | | | | | | |
| Depreciation and amortization | 2,890 | 2,149 | 833 | 1,030 | 9 | 6,913 | (91) | 6,821 |
| Increase in tangible and intangible fixed assets | 2,404 | 1,172 | 662 | 762 | 29 | 5,031 | – | – |

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

| | |
|---|---|
| North America | U.S.A., Canada |
| Europe | Ireland, Germany, Italy, France, UK |
| Asia pacific | Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India |
| Latin America | Brazil, Mexico |

3 Consolidation Adjustment at Operating income 95 comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (13,920) comes from the elimination between segments transactions.

5 Depreciation and amortization (91) comes from the elimination between segments transactions.

(Relative information)

For the previous fiscal year (from January 1, 2011 to December 31, 2011)

1．Information by production and service

The amount of sales in the single category of production and service to external customers exceeds 90% of sales which was recognized in consolidated statement of income, then, reporting is omitted.

2．Information by geographical area

(1) Sales

(Millions of yen)

| Japan | North America | Europe | Asia Pacific | Latin America | Total |
|---|---|---|---|---|---|
| 45,601 | 21,309 | 16,747 | 10,335 | 2,398 | 96,392 |

(Note)　Sales is categorized by area or country based on the location of customers.

(2) Tangible fixed asset

(Millions of yen)

| Japan | North America | Europe | Asia Pacific | Latin America | Total |
|---|---|---|---|---|---|
| 955 | 2,011 | 675 | 1,498 | 16 | 5,157 |

3．Information by major customers

(Millions of yen)

| Customer name | Sales | Segment |
|---|---|---|
| SOFTBANK BB corporation | 12,587 | Japan |
| SOFTBANK TELECOM corp. | 11,990 | Japan |

For the current fiscal year (from January 1, 2012 to December 31, 2012)

1．Information by production and service

The amount of sales in the single category of production and service to external customers exceeds 90% of sales which was recognized in consolidated statement of income, then, reporting is omitted.

2．Information by geographical area

(1) Sales

(Millions of yen)

| Japan | North America | Europe | Asia Pacific | Latin America | Total |
|---|---|---|---|---|---|
| 45,803 | 19,445 | 16,053 | 10,684 | 1,852 | 93,839 |

(Note)　Sales is categorized by area or country based on the location of customers.

(2) Tangible fixed asset

(Millions of yen)

| Japan | North America | Europe | Asia Pacific | Latin America | Total |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 788 | 1,491 | 572 | 1,551 | 33 | 4,437 |

3．Information by major customers

(Millions of yen)

| Customer name | Sales | Segment |
|---|---|---|
| SOFTBANK TELECOM corp. | 18,268 | Japan |
| SOFTBANK BB corporation | 11,395 | Japan |

(Information of impairment loss on fixes asset by segment)

For the previous fiscal year (from January 1, 2011 to December 31, 2011)

N/A

For the current fiscal year (from January 1, 2012 to December 31, 2012)

Impairment loss from On-line Storage related intangible assets are recognized as future cash flow is not collectable over the estimated period.

(Millions of yen)

| | Segment | | | | | | Corporate or Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia Pacific | Latin America | total | | |
| Impairment loss | 157 | 98 | 509 | 15 | — | 780 | — | 780 |

(Information of amortization expense of goodwill and unamortized balance of goodwill by segment)

For the previous fiscal year (from January 1, 2011 to December 31, 2011)

(Millions of yen)

| | Segment | | | | | | Corporate or Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia Pacific | Latin America | total | | |
| Amortization Expense of GW | — | 452 | 405 | — | — | 857 | — | 857 |
| Unamortized balance of GW | — | 1,145 | 681 | — | — | 1,826 | — | 1,826 |

For the current fiscal year (from January 1, 2012 to December 31, 2012)

(Millions of yen)

| | Segment | | | | | | Corporate or Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia Pacific | Latin America | total | | |
| Amortization Expense of GW | 16 | 444 | 213 | 1 | — | 675 | — | 675 |
| Unamortized balance of GW | 103 | 829 | 17 | 9 | — | 960 | — | 960 |

(Information of negative goodwill by segment)

N/A

(Information of EPS)

(Yen)

| | For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012 |
|---|---|---|
| Book value per share | 764.64 | 830.57 |
| Net income per share | 131.23 | 102.21 |

(Note)

1. Diluted net income per share is not stated as our issuable shares does ot have dilutive effect.
2. Basis of calculation for net income per share and diluted net income per share are as follows.

| | For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012) |
|---|---|---|
| <Basic EPS> | | |
| Net income (Millions of Yen) | 17,341 | 13,447 |
| -not to attributable to common stock holders | – | – |
| -to common stock holders | 17,341 | 13,447 |
| Weighted-average number of common shares (Shares) | 132,143,319 | 131,557,952 |
| Details of shares not included in the computation of diluted EPS since it did not have dilutive effect | 262,500 for Stock option round19<br>174,000 for Stock option round20<br>2,059,500 for Stock option round21<br>2,147,000 for Stock option round22<br>2,359,000 for Stock option round23<br>1,241,500 for Stock option round24<br>1,973,900 for Stock option round25<br>2,339,500 for Stock option round26<br>2,326,600 for stock option round27<br>2,170,100 for stock option round28 | 21,000 for Stock option round21<br>1,557,500 for Stock option round22<br>44,500 for Stock option round23<br>53,700 for Stock option round24<br>1,449,200 for Stock option round25<br>1,830,500 for Stock option round26<br>1,920,000 for Stock option round27<br>1,841,500 for Stock option round28 |

(Note)

1. As stated in 【Change in Significant Accounting Policies and Practice for Preparing Consolidated Financial Statements】, new accounting policy is retroactively applied. If this new accounting policy is not applied retroactively, diluted net income per share of the previlus fiscal year is 131.14.

3. Basis of calculation for book value per share is as follows.

(Millions of yen)

| | For the previous fiscal year (From January 1, 2011 To December 31, 2011) | For the current fiscal year (From January 1, 2012 To December 31, 2012) |
|---|---|---|
| Total net assets | 107,362 | 113,492 |
| Amount deducted from total net assets | | |
| (Stock acquisition rights) | (6,719) | (4,213) |
| (Minority interest) | (51) | (7) |

| | | |
|---|---|---|
| Total net assets attributable to common stock | 100,591 | 109,270 |
| Number of common shares (Shares) | 131,554,269 | 131,560,869 |

(Significant Subsequent Events)

N/A

The Company omits the notes for “Lease transaction”, “Related party transaction”, “Deferred tax accounting”, ″Financial instrument″, ″Derivative″, ” Stock Option”, ” Business combination” and ” Investment and Rental Property”, because for the current fiscal year, the Company considers there is not a strong need to release them.

5. 【Non-consolidated Financial Statements】

(1) 【Non-consolidated Balance Sheets】

(Millions of yen)

| Account | As of December 31, 2011 | As of December 31, 2012 |
|---|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and bank deposits | 32,772 | 6,909 |
| Accounts receivable, trade | 11,238 | 10,596 |
| Marketable securities | 36,305 | 62,021 |
| Finished goods | 23 | 27 |
| Raw material | 11 | 5 |
| Supplies | 59 | 30 |
| Prepaid expense | 84 | 88 |
| Deferred tax assets | 13,767 | 13,039 |
| Other receivables | 3,387 | 2,637 |
| Others | 268 | 393 |
| Allowance for bad debt | (1) | (1) |
| Total current assets | 97,918 | 95,748 |
| Non-current assets | | |
| Tangible fixed assets | | |
| Buildings | 850 | 840 |
| Accumulated depreciation | (317) | (402) |
| Buildings, net | 533 | 437 |
| Office furniture and equipment | 1,375 | 1,392 |
| Accumulated depreciation | (952) | (1,042) |
| Office furniture and equipment, net | 422 | 350 |
| Total Tangible fixed assets | 955 | 788 |
| Intangible fixed assets | | |
| Software | 2,981 | 2,679 |
| Software in progress | 710 | 518 |
| Goodwill | — | 103 |
| Others | 698 | 567 |
| Total intangible fixed assets | 4,389 | 3,869 |
| Investments and other non-current assets | | |
| Investments in securities | 23,224 | 34,965 |
| Investments in subsidiaries and affiliates | 2,219 | 2,231 |
| Investments in capital of affiliates | 7 | — |
| Security deposits | 497 | 497 |
| Membership | 4 | 4 |
| Deferred tax assets | 8,159 | 8,365 |
| Allowance for loss on investments in subsidiaries and affiliates | — | (70) |
| Total investments and other non-current assets | 34,113 | 45,994 |
| Total non-current assets | 39,459 | 50,652 |
| Total assets | 137,377 | 146,401 |

(Millions of yen)

| Account | As of December 31, 2011 | As of December 31, 2012 |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Accounts payable, trade | 116 | 137 |
| Accounts payable, other | 10,167 | 9,924 |
| Accrued expenses | 263 | 364 |
| Accrued corporate tax and others | 2,067 | 5,545 |
| Accrued consumption taxes | 177 | 449 |
| Deposits received | 45 | 35 |
| Allowance for bonuses | 28 | — |
| Allowance for sales return | 511 | 312 |
| Deferred revenue | 29,205 | 31,116 |
| Others | 51 | 305 |
| Total current liabilities | 42,634 | 48,191 |
| Non-current liabilities | | |
| Deferred revenue | 15,186 | 17,777 |
| Long-term accounts payable | 2 | 2 |
| Allowance for retirement benefits | 1,574 | 1,842 |
| Others | — | 26 |
| Total non-current liabilities | 16,764 | 19,650 |
| Total liabilities | 59,398 | 67,841 |
| (Net assets) | | |
| Shareholders' equity | | |
| Common stock | 18,386 | 18,386 |
| Capital surplus | | |
| Additional paid-in capital | 21,108 | 21,108 |
| Other capital surplus | 3 | 3 |
| Total capital surplus | 21,111 | 21,111 |
| Retained earnings | | |
| Legal reserve | 20 | 20 |
| Accumulated profit | | |
| Retained earnings carried forward | 59,976 | 60,694 |
| Total retained earnings | 59,997 | 60,715 |
| Treasury stock | (26,460) | (26,440) |
| Total shareholders' equity | 73,034 | 73,772 |
| Valuation and translation adjustment | | |
| Unrealized gain on available-for-sales securities | (1,775) | 573 |
| Total valuation and translation adjustment | (1,775) | 573 |
| Stock acquisition rights | 6,719 | 4,213 |
| Total net assets | 77,979 | 78,559 |
| Total liabilities and net assets | 137,377 | 146,401 |

(2) 【Non-consolidated Statements of Income】

(Millions of yen)

| Account | For the year ended December 31, 2011 | For the year ended December 31, 2012 |
|---|---|---|
| Sales Revenue | | |
| Sales | 45,601 | 45,803 |
| Royalty | 9,419 | 4,936 |
| Net sales revenue | 55,021 | 50,739 |
| Cost of sales | 9,528 | 9,575 |
| Gross profit | 45,492 | 41,164 |
| Selling, general and administrative expense | 21,294 | 22,426 |
| Operating income | 24,197 | 18,737 |
| Non-operating income | | |
| Interest income | 6 | 10 |
| Interest on marketable securities | 450 | 512 |
| Dividend | 647 | 0 |
| Gain on sales of marketable securities | 824 | 254 |
| Global system income | 41 | 5 |
| Others | 61 | 107 |
| Total Non-operating income | 2,031 | 890 |
| Non-operating expense | | |
| | — | 101 |
| Exchange loss | 416 | 504 |
| Global system expense | 144 | 30 |
| Others | 136 | 302 |
| Total Non-operating expenses | 696 | 938 |
| Ordinary income | 25,532 | 18,690 |
| Extraordinary gain | | |
| Reversal of allowance for investment loss | 53 | — |
| Gain on reversal of stock option | 4,612 | 3,781 |
| Gain on reversal of allowance for bad debt | 130 | — |
| Gain on redemption of marketable securities | 810 | — |
| Total Extraordinary gain | 5,606 | 3,781 |
| Extraordinary loss | | |
| Loss on disposal of fixed assets | 107 | — |
| Impairment loss | — | 157 |
| Loss on sales of marketable securities | 5,625 | 1,700 |
| Total Extraordinary loss | 5,732 | 1,858 |
| Net income before tax | 25,406 | 20,613 |
| Income tax current | 8,125 | 9,573 |
| Income tax -deferred | 1,678 | (991) |
| Total Income taxes | 9,803 | 8,581 |
| Net income | 15,602 | 12,031 |

(3) 【Non-consolidated Statements of Changes in Net Assets】

(Millions of yen)

| | For the year ended December 31, 2011 | For the year ended December 31, 2012 |
|---|---|---|
| Shareholders' equity | | |
| Common stock | | |
| Balance at the end of previous period | 18,386 | 18,386 |
| Movement for this period | | |
| Total movement | — | — |
| Balance at the end of current period | 18,386 | 18,386 |
| Capital surplus | | |
| Additional paid-in capital | | |
| Balance at the end of previous period | 21,108 | 21,108 |
| Movement for this period | | |
| Total movement | — | — |
| Balance at the end of current period | 21,108 | 21,108 |
| Other capital surplus | | |
| Balance at the end of previous period | 3 | 3 |
| Movement for this period | | |
| Sales of treasury stock | 0 | (0) |
| Total movement | 0 | (0) |
| Balance at the end of current period | 3 | 3 |
| Total capital surplus | | |
| Balance at the end of previous period | 21,111 | 21,111 |
| Movement for this period | | |
| Sales of treasury stock | 0 | (0) |
| Total movement | 0 | (0) |
| Balance at the end of current period | 21,111 | 21,111 |
| Retained earnings | | |
| Legal reserve | | |
| Balance at the end of previous period | 20 | 20 |
| Movement for this period | | |
| Total movement | — | — |
| Balance at the end of current period | 20 | 20 |
| Accumulated profit | | |
| Retained earnings carried forward | | |
| Balance at the end of previous period | 53,722 | 59,976 |
| Movement for this period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 15,602 | 12,031 |
| Total movement | 6,254 | 717 |
| Balance at the end of current period | 59,976 | 60,694 |

(Millions of yen)

| | For the year ended December 31, 2011 | For the year ended December 31, 2012 |
|---|---|---|
| Total retained earnings | | |
| Balance at the end of previous period | 53,742 | 59,997 |
| Movement for this period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 15,602 | 12,031 |
| Total movement | 6,254 | 717 |
| Balance at the end of current period | 59,997 | 60,715 |
| Treasury stock | | |
| Balance at the end of previous period | (21,834) | (26,460) |
| Movement for this period | | |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | — |
| Total movement | (4,626) | 19 |
| Balance at the end of current period | (26,460) | (26,440) |
| Total shareholders' equity | | |
| Balance at the end of previous period | 71,406 | 73,034 |
| Movement for this period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 15,602 | 12,031 |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | — |
| Total movement | 1,628 | 737 |
| Balance at the end of current period | 73,034 | 73,772 |
| Revaluation Surplus | | |
| Unrealized gain/(loss) on available for sale securities | | |
| Balance at the end of previous period | (3,813) | (1,775) |
| Movement for this period | | |
| Net changes in items excluding shareholders' equity during the year | 2,037 | 2,349 |
| Total movement | 2,037 | 2,349 |
| Balance at the end of current period | (1,775) | 573 |
| Total Revaluation Surplus | | |
| Balance at the end of previous period | (3,813) | (1,775) |
| Movement for this period | | |
| Net changes in items excluding shareholders' equity during the year | 2,037 | 2,349 |
| Total movement | 2,037 | 2,349 |
| Balance at the end of current period | (1,775) | 573 |
| Stock acquisition rights | | |
| Balance at the end of previous period | 8,734 | 6,719 |
| Movement for this period | | |
| Net changes in items excluding shareholders' equity during the year | (2,014) | (2,506) |
| Total movement | (2,014) | (2,506) |
| Balance at the end of current period | 6,719 | 4,213 |

| | | |
|---|---|---|
| Total net assets | | |
| Balance at the end of previous period | 76,328 | 77,979 |
| Movement for this period | | |
| Dividend of surplus | (9,347) | (11,313) |
| Net income | 15,602 | 12,031 |
| Sales of treasury stock | 55 | 19 |
| Purchase of treasury stock | (4,682) | — |
| Net changes in items excluding shareholders' equity during the year | 22 | (156) |
| Total movement | 1,650 | 580 |
| Balance at the end of current period | 77,979 | 78,559 |

(4) 【Footnote on going concern】

Fiscal year ended December 31, 2011 (From January 1, 2011 to December 31, 2011)
N/A

Fiscal year ended December 31, 2012 (From January 1, 2012 to December 31, 2012)
N/A

6. Others

(1) Changes in Directors and Corporate Auditors

(a) Representative Director

N/A

(b) Corporate Auditors (Scheduled appointment date March 26, 2013)

Candidate for New Corporate Auditor

Masaru Sempo

(Planning section Kinki Branch Office, Showa Shell Sekiyu K.K. (present))

(Note) Masaru Sempo is a candidate to become an outside corporate auditor under Article 2, paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.